Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland ... Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $35
France ... FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

ØØ

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,569 — Friday March 8 1985 — D 8523 B

West Berlin's vote carries weighty message, Page 2

World news

Lebanese in fresh clash with Israelis

Israeli and Lebanese troops clashed in southern Lebanon in the second serious confrontation between the two sides since Israel began its pullout from the Sidon area three weeks ago.

An Israeli soldier was killed when shots were exchanged at the village of Kawthariyet As-Siyad – the scene of the first clash.

In New York, Lebanon proposed that the United Nations Security Council censure Israel for recent acts by its military forces against civilians in southern Lebanon. Page 4

Spanish car bomb

The head of the Spanish Basque police force, Colonel Juan Carlos Arkotxa was killed when a bomb blew up his car near Vitoria in northern Spain. Page 2

Thais retake ground

Vietnamese troops started to retreat from northern Thailand after suffering heavy casualties in two days of fierce fighting, according to Thai military officers. Page 4

Iran shells cities

Iranian artillery shelled two Iraqi cities in retaliation for recent Iraqi attacks as pace of the conflict between the two Gulf states stepped up. Page 4

Arab boycott

Sudan is the only Arab country taking part in the Cairo International Trade Fair starting tomorrow. Israel will participate.

IRA men jailed

Two members of an IRA unit which murdered three people during a London bombing campaign during the autumn of 1981 were each jailed in London for a recommended minimum of 35 years. A third man was jailed for 15 years for possession of arms and explosives.

German store blast

A bomb in a Dortmund, West German department store, believed to have been planted by urban guerrillas, injured seven people, two seriously.

Trade protection plea

Morocco, Algeria and Tunisia called for safeguards to protect their exports to the EEC after Spain and Portugal join the community.

Cars to Chinese

Thousands of Chinese will be able to own their own cars under a government system to be announced soon. Page 4

E. German concession

East Germany is to allow emigrés and their families living in the West to return home. The concession was made to mark the 40th anniversary of the liberation of Germany from Nazi rule.

Food aid request

Somalia appealed for 120,000 tonnes of international food aid to prevent a "major catastrophe," saying that stocks for the country's 500,000 refugees are almost exhausted.

Surrogate mother ban

A bill to outlaw commercial child surrogacy is to be introduced into the British Parliament. The bill would ban commercial agencies from recruiting women as surrogates, arranging surrogate pregnancies and from advertising. Page 12

Appeal dismissed

An appeal against a two-month prison sentence by Andrzej Gwiazda, former deputy chairman of the Polish Solidarity free trade union, was rejected.

Business summary

BP lifts dividend as profit soars

BRITISH PETROLEUM, the UK's biggest company, boosted post-tax earnings in 1984 to £1.26bn ($1.35bn) compared with £970m in the previous 12 months. Total dividend for the year has been increased from 24p to 30p a share. Lex, Page 20; Details, Page 24

WALL STREET: At the close the Dow Jones industrial average was down 8.84 at 1,271.53. Section III

TOKYO stock market closed lower. The Nikkei-Dow market average was down 83.87 at 12,414.80. Section III

LONDON shares eased and gilts staged a small rally. The FT Ordinary index closed down 2.8 at 987.6. Section III

DOLLAR was on the whole firmer in London, rising to DM 3.397 (DM 3.38), SwFr 2.903 (SwFr 2.8975) and FFr 10.3825 (FFr 10.332). It was a little weaker, however, against the yen at Y261.0 (Y261.2) and on Bank of England figures, the dollar's exchange index fell to 155.7 from 156.8. It closed in New York DM 3.4205; SwFr 2.9105, FFr 10.440 and Y261.65. Page 41

STERLING showed mixed changes in London, easing to $1.0665 ($1.0725), SwFr 3.095 (SwFr 3.1225) and Y278.5 (Y280.25). It was higher at FFr 11.0775 (FFr 11.065) and unchanged at DM 3.625. The pound's exchange rate index rose to 70.8 from 70.7. It closed in New York at 1.06325. Page 41

GOLD rose $2.50 an ounce on the London bullion market to $289.75. It was also higher in Zurich at $290.35. In New York, the Comex April settlement was $291.00. Page 40

U.S. MONEY SUPPLY rose $3.6bn to a seasonally-adjusted $572.7bn in the week ended February 25.

BRAZIL'S exports fell by 9 per cent in the first two months of this year, compared with the same period in 1984, renewing fears that the country may not meet its IMF target of a $12.9bn foreign trade surplus. Imports fell 2.5 per cent, bringing the trade surplus for the year so far to $1.1bn.

KRUPP, West German steel and engineering group, hinted strongly that it had returned to profit in 1984 but warned that efforts to merge its steel interests with Klöckner still faced "manifold political difficulties." Page 22

WHEELOCK MARDEN rebuffed request for board representation by Sir Y.K. Pao, who has bid HK$2.5bn ($303m) for the Hong Kong property and shipping group. Page 23

SAATCHI & SAATCHI, the London-based advertising and consultancy group, is developing its U.S. operations through the acquisition of Rowland Company, a New York-based public relations firm. Page 27

COMMERCIAL UNION UK insurer, returned a pre-tax loss of £72.8m ($77.6m) in 1984 after a £9.3m profit in the previous 12 months. The worst trading conditions in the U.S. since the 1906 San Francisco earthquake were partly responsible, directors said. Page 24, Lex, Page 20

CANADIAN Imperial Bank of Commerce showed the strongest growth in earnings among the country's five big banks in the first quarter, lifting net earnings to C$85.9m (U.S.$61m) from C$64.9m. Page 42

APPLE, U.S. personal computer group, is shutting its manufacturing plants for a week because of mounting unsold stocks on retailers' shelves. Page 21

WESTERN UNION, U.S. telecommunications group, has had its accounts qualified by auditors because of "financing uncertainties" following a loss of $58.4m in 1984 against $59.1m. Page 21

CHRYSLER has cancelled plans to acquire or build another assembly plant in the U.S. following the removal of quotas on Japanese car imports and other economic factors, chairman Lee Iacocca said.

Steelmakers urge Brussels to push down scrap prices

BY IAN RODGER IN LONDON

EUROPEAN steelmakers are demanding urgent action from the EEC Commission to push down the price of scrap, a vital raw material in their operations.

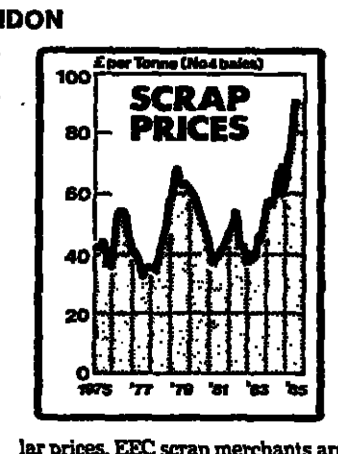
Scrap prices have jumped about 40 per cent in the last two months to stand at record levels. This increase comes at a time when steelmakers are having difficulties pushing through any price increases.

It is particularly damaging to operators of electric arc steelworks, which account for a quarter of EEC steel capacity, and rely totally on scrap as a raw material.

Mr Selwyn Williams, a director of the British Independent Steel Producers' association, said, "unless something is done soon, a lot of producers will go to the wall."

Industry leaders throughout Europe are pressing Brussels for action, such as a curb on scrap exports, and the issue is likely to figure prominently at the meeting of EEC industry ministers later this month.

The main cause of the increase has been the rise of the value of the dollar, in which scrap is traded internationally. Some subsidised steel producers outside the Community, notably in Spain, remain willing to import scrap at very high dollar prices. EEC scrap merchants are understandably eager to serve them and to expect their home customers to pay the prevailing rates as well.



EEC steelmakers acknowledge that the scrap merchants are doing nothing wrong, but say the effects on them are unacceptable. They argue that the Commission's other measures aimed at restoring the industry to health, such as production and import controls, will be to no avail if this vital element in their cost structure remains out of control.

Scrap merchants, on the other hand, argue that the recent increases look higher than they are because they have stemmed from an historic low in 1982 when many merchants were forced out of business.

The problem is particularly acute in Italy, which has a large number of small independent steel producers that operate electric arc furnaces. It is also tough on the makers of alloy steels throughout the Community. Almost all engineering, stainless, electric and tool steels are made from scrap. Foundry operators also rely on scrap.

Governments have been reluctant so far to interfere in what is clearly a free and open market. If there were a shortage of scrap in the Community, they might be more willing to impose limits on exports. But there is plenty of scrap available, provided that EEC steelmakers are willing to pay the going price.

The question is how long the current high prices will prevail on this volatile sector. If they remain for some time, the European Council of Ministers will almost certainly be obliged to take some action, such as restricting exports and/or setting price ceilings on scrap.

Barclays to boost capital with £507m cash call

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BARCLAYS BANK, Britain's biggest, plans to raise £507m ($542m) in the largest rights issue ever offered to the shareholders of a private sector UK company.

The call came as the bank reported that its 1984 profits had risen 18 per cent to a record £655m.

Sir Timothy Bevan, the chairman, said the rights issue was needed to enable Barclays to take advantage of opportunities opening up in the world's financial markets through deregulation, and to support development of new services and products.

The new funds should result in the Barclays Group being the most strongly capitalised of Britain's big four banks, he said, noting that it was the first time shareholders had faced a call in 24 years.

The issue will be in the unusual form of one for one at the deeply discounted price of 150p. This compares with the 583p at which Barclays closed on the London stock exchange last night and is intended to "lighten" the share price to make it easier for small shareholders to buy. Barclays estimates the issue will reduce the price to 366p.

The discount will also save underwriting costs of about £11.5m.

The biggest ever UK rights issue was made rights issue in 1981 when BP raised £623m, but at the time the oil company was nearly 50 per cent owned by the government.

The Barclays announcement was generally well received and Barclays shares initially rose 10p from their overnight 590p, though profit-taking later left them 7p down on the day.

Barclays' profits were disappointing after the surprisingly strong performance reported earlier this week by Midland and National Westminster, which is now a bigger profit-earner than Barclays with £671m. Barclays' £655m pre-tax was £20m–£30m belowexpectations, mainly because of a decline in foreign earnings. Profits in South Africa fell more than £50m as Barclays' subsidiary there was squeezed by rising interest rates.

The charge for doubtful and bad debts was also increased by £50m to £525m. Sir Timothy said "many of our customers are continuing to experience difficulties."

Barclays' UK business performed well, though. Domestic banking profits increased nearly 50 per cent

Lex, Page 20; Details, Page 26

Dunlop set to launch £100m rights issue

BY CHARLES BATCHELOR IN LONDON

DUNLOP HOLDINGS, the British tyre and rubber products group which is resisting a £33m ($35m) takeover bid from the industrial conglomerate BTR, is expected to announce a rights issue to raise about £100m when it unveils its revised financial reconstruction package next week.

The proposed sale of Dunlop Tire and Rubber, Dunlop's U.S. subsidiary, to its management for $120m has allowed the British company to scale down the overall size of its fundraising from the £142m package announced in January.

Under pressure from its existing shareholders, Dunlop has also decided to cast the complete package in the form of a rights issue, dropping earlier plans for the conversion of bank debt into equity and a share placing with London financial institutions.

The new shares to be issued will be priced slightly higher than the 14p planned in January but the final price and the ratio of new shares to old has still to be decided.

BTR is today expected to announce another extension of its offer which is now trailing even further behind the London stock market price of Dunlop's shares. Yesterday's second closing date on BTR's offer is not likely to have pulled in any more acceptances than the 0.26 per cent attained by February 21.

BTR is waiting to see details of Dunlop's performance in 1984, prospects for 1985 and the form of the refinancing package which Dunlop must produce by next Monday or risk BTR being allowed to extend its offer beyond the normal 60-day limit.

Dunlop yesterday announced it had received the £37m payment agreed last November for the sale of its 51 per cent stake in Dunlop Malaysian Industries to Sime Darby. Together with £12m of debt being assumed by Sime, this sale wiped £49m off Dunlop's £435m debt mountain.

Dunlop's shares fell 2p to 49p yesterday, still well above the 22p value of the BTR share offer. BTR fell 7p to 657p.

Lonrho may mount new Fraser bid

By John Moore in London

LONRHO, the British-based international trading group, was last night preparing to mount a new offensive in its long-running campaign for control of House of Fraser, the retail chain which includes Harrods of Knightsbridge.

This followed a ruling yesterday by Britain's Monopolies and Mergers Commission that any bid by Lonrho for Fraser would not operate against the public interest. This overturned a 1981 ruling by the commission which said the opposite.

The Department of Trade and Industry is expected to announce next week whether Lonrho can be released from undertakings that it would not seek to gain control of Fraser. The department is also expected to decide whether it will refer to the monopolies commission a £615m ($658m) bid for Fraser by the Al-Fayed family of Egypt.

In an effort to gain time to make a fresh bid for Fraser, Lonrho has

Continued on Page 20

Editorial comment, Page 18; Lex, Page 20; Details, Page 25

Bonn refuses to ease car pollution plan

BY PAUL CHEESERIGHT IN BRUSSELS

THE NETHERLANDS tried yesterday to ease the acute dispute between West Germany on one side and France and the UK on the other over tough new car exhaust standards to be applied throughout the European Community.

After 12 hours of talks yesterday in Brussels among EEC environment ministers, however, there were few signs of resolution to a problem which could split the Community car market if individual countries apply different regulations.

France and the UK indicated they were prepared to negotiate on the Dutch compromise proposal. Germany, however, refused to budge from its insistence that the Community should adopt U.S. car exhaust standards and warned that if the rest did not agree it would go its own way from 1988-89 onwards.

Talks among the ministers, mainly in restricted sessions with few advisers, assumed great urgency because of the German plan to encourage the rapid purchasing of "clean" cars by introducing a battery of tax incentives from July 1.

The Dutch plan involved the setting of exhaust standards close to those applied in the U.S. but stricter than those wanted by the UK. It would give time for the development of new engine technology and would not, as Germany would like, commit the car industry to the use of the three-way catalytic converter.

The argument was essentially about whether exhaust restrictions should apply to cars of medium size – in the 1,400-2,000cc category – which account for about a third of new sales in the EEC as a whole and nearly 60 per cent of the German market.

German officials explained that although the Bonn Government was prepared to be flexible about small cars it could not shift its position on medium-sized models. It would leave the German plan for stopping the pollution, which is wrecking European forests, in tatters.

There was no margin for compromise: the development of new engine technology would take too long, they said.

But Mr William Waldegrave, the UK Environment Under-Secretary, noted that the first cars using the new engine technology, called "lean burn," would be in the showrooms this autumn.

There was general agreement among ministers, however, that cars bigger than 2,000cc could be made cleaner by the use of the catalytic converter. France and the UK made clear that this acceptance was conditional on a wider package covering all models.

German isolation on the exhaust issue was extended by further attacks from the UK and France on the plan to introduce tax incentives.

Mme Huguette Bouchardeau, the French Minister, said the tax incentives were too sweeping: they more than covered the cost of fitting converters. On a VW Golf, she is understood to have said, the tax incentives were worth DM 3000 ($887), while the cost of fitting was DM 2300.

Italy has now joined the UK in making a formal protest to the European Commission, arguing that the German incentives must be brought under the control of the Community.

Bernard Simon in Toronto writes: Canada has announced an extensive anti-pollution programme to counter criticism that it has fallen behind the U.S. in efforts to combat acid rain.

New exhaust emission standards for cars and light trucks, similar to those in the U.S., will come into force for 1988 models. In addition, the federal Government is to contribute up to C$150m ($107m) over the next 10 years for anti-pollution measures by Canadian metal smelters, who are among North America's main sources of pollution causing acid rain.

Acid rain will be among the key topics on the agenda of the "shamrock summit" between President Ronald Reagan and Mr Brian Mulroney, Canada's Prime Minister, on March 17 – St Patrick's Day. Canada has in the past accused the U.S. of dragging its feet on action to curb air pollution, but attention has recently focused on Canada's own shortcomings. Washington has argued that more research is needed on acid rain to justify the large outlays needed to reduce pollution

Mr Mulroney said last month that Canada's ability to press the U.S. for more action was limited by its own record. The Inco nickel smelter at Sudbury, Ontario, and Canadian coal-fired power stations close to the U.S. border, are among the chief targets of the latest clean-up campaign.

The Canadian authorities estimate that the smelting industry needs to spend more than C$700m to meet a target set recently by the federal and provincial governments for emissions to be halved by 1994.

The new anti-pollution plan has been welcomed by environmental groups but criticised by the motor industry, which argues that motor vehicles' contribution to acid rain is negligible.

Freer EEC call, Page 2

Bundesbank leads quiet revolution in German markets

By Jonathan Carr in Frankfurt

THE BUNDESBANK is leading a quiet revolution in West Germany's capital markets. Last year the central bank forced the Bonn Government to abolish the coupon tax foreigners had to pay on the interest they received on German domestic bonds. Now the Bundesbank is seeking changes to allow foreign banks in Germany to take management leadership in D-Mark bond issues. Other steps towards deregulation are in the wind.

At first sight that seems odd. By no stretch of the imagination could the Bundesbank be called a revolutionary body. Over the years, it has been seen by its admirers as a bastion of prudence in a sea of international monetary turmoil, and by its critics as something of an ogre, grimly crushing any signs of financial innovation. Why should this, of all institutions, be seeking a shake-up?

The answer is that the Germans feel they cannot afford to ignore the wave of deregulation increasingly opening up financial markets in key competitor countries such as Britain and Japan. For example, Deutsche Bank, West Germany's biggest and most profitable bank, is currently moving its non-D-Mark Eurobond underwriting business from Frankfurt to London. It has also recently taken a 4.9 per cent stake in Morgan Grenfell, the merchant bank.

Behind those decisions is the implicit judgment that London, with New York and places such as Tokyo, will be one of a handful of really important world financial centres in the coming decade or so – and Deutsche Bank must ensure that it has a good piece of the action. That does not mean the German banks are about to abandon Frankfurt altogether. But it does imply that the German market, too, must be made more open, lively and innovative – if it is not to be left behind.

Change in West Germany is rarely quick. Even the abolition of coupon tax, which was a direct response to the U.S. removal of its withholding tax, and had obvious arguments in its favour, took a while to push through. Finally, Dr Gerhard Stoltenberg, the Finance Minister, swept away the remaining domestic resistance, because (to Bundesbank relief) he saw the wider national interest of encouraging an inflow of foreign funds. Now a task if anything more delicate is under way – to restructure or abolish the club of leading German banks

Continued on Page 20

International Capital Markets, Page 42

CONTENTS

Rupert Cornwell and **Leslie Colitt** report on two unusually significant state elections in Saarland and West Berlin

Small vote will deliver weighty message to Bonn coalition

THE SAARLAND and West Berlin ought hardly, on the face of it, to be the most telling barometers of the West German mood. Both in their different ways are enclaves on the fringe: one tucked away south of Luxembourg, nestling on the border with France; the other a capitalist island, separated from a country to which it does not properly belong by 100 miles of socialist East Germany.

Yet, this weekend, their combined strength of some 2.3m voters will be delivering a political message out of all proportion to their numbers, in state elections which will be read as a half-term report on the performance of the centre-right coalition in Bonn, exactly two years into the four-year life of the current parliament.

For the ruling Christian Democrats (CDU) of Chancellor Helmut Kohl, presently in power in both places, success in either would be some kind of vindication of economic and defence policies pursued since October 1982. Almost certainly, Sunday evening's results will again bring the opposition Social Democrats (SPD) face-to-face with their dilemma of how to do a practical deal with the protest politics of the surging Greens to their left. But the stakes, inevitably, are biggest for the smallest major party, the liberal Free Democrats (FDP).

The FDP studiously chose Saarbruecken, capital of the Saarland for the enthronement of its new leader, Herr aMrtin Bangemann, a fortnight ago. Today, it is back at the foot of its own familiar Everest: how to secure the 5 per cent share of the vote needed to win seats in the two regional parliaments. No poll offers the certainty if they will.

Should the FDP fail in Berlin, the likelihood that the CDU will again do well will probably allow Herr Eberhard Diepgen, the Christian Democrat mayor, to retain power, perhaps at the head of a minority administration tacity accepted by the SPD. But in Saarland things are very different.

Even if the Free Democrats do clear the 5 per cent hurdle there is no guarantee that this will be sufficent to allow a repeat of the CDU-FDP coalition which has run the state since 1980. Every sign, instead, is that the Social Democrats will overtake the CDU to become Saarland's biggest party, in a position to take power alone or, more plausibly, in some kind of alliance with the Greens.

If they do, it will be very much the achievement of one man, Herr Oskar Lafontaine, mayor of Saarbruecken for nine years, and in line to become the state's first ever Social Democrat premier.

At just 41, he is the standard bearer of the younger Social Democrat Left, celebrated for his odd combination of a gentle moonlike face and fierce opposition to West German membership of Nato, and seen by many as a potential candidate for Federal Chancellor.

In this campaign, however, he has not been talking about national defence so much as local economics. The Saarland is poor by West German standards. Unemployment at the end of a savage winter is 14 per cent; Arbed Saarstahl, the steel group which is the region's largest employer, is wobbling on the verge of bankruptcy.

Saarland's misery has given scope and more to Herr Lafontaine's powerful oratory. He argues that only the more socially geared policies of the SPD offer the region a decent future, and has promised to nationalise the steel works, at present controlled by Arbed of Luxembourg.

Mindful of last year's problems in the state of Hesse, he has told the Greens that — should it be necessary—nothing less than formal coalition after the election will do. For their part, the Greens, who look set to clear the 5 per cent barrier this time, offer merely "toleration" of a minority SPD administration, of the type which proved so ephemeral in Hesse.

Quite possibly, hard bargaining the morning after will change these starting positions.

LAST ELECTION RESULT (% of vote)	
Berlin (1981)	
CDU	48.0
SPD	38.3
FDP	5.6
AL (Alternative List=Greens)	7.2
Saarland (1980)	
CDU	45.4
SPD	44.0
FDP	6.9
Greens	2.9

But the prospect of stalemate probably offers the Free Democrats and the CDU their best chance of clinging to power.

Chancellor Kohl himself has visited the Saarland five times in the campaign, to drive home the warning that nothing would be worse than that its problems go unattended while SPD and Greens wrangle over what to do. Furthermore, everyone knows that good relations with the Government in Bonn (which at the end of the day will have to provide much of the money) are essential if the Saarland is to be put back on its feet.

The CDU and the FDP hope that this worry might scare off enough of the working vote which Herr Lafontaine needs, to deny him success. If it does not, then the consequences might be felt well beyond the enclave of the Saarland.

FDP struggles to survive in West Berlin

THE ONLY thing West German pollsters usually appear certain of in West Berlin is that the city's radical Alternative List (AL), the anti-nuclear counterpart of the West German Greens, will double its 1981 vote to some 14 per cent in Sunday's election.

That would be no surprise as West Berlin attracts thousands of young men from West Germany each year who cannot be drafted while residing in the city and who vote here for the first time.

The real cliffhanger is whether the Free Democrat Party (FDP) will fall below the required 5 per cent of the ballot to be re-elected. The polls show the party with less than that figure but a large proportion of West Berlin voters say they are undecided. The FDP will need to repeat its 1981 miracle when it polled 5.6 per cent here if it is to be returned as the junior partner of the ruling Christian Democrats (CDU) in the city.

The Berlin CDU, under Herr Eberhard Diepgen, its dynamic Governing Mayor since early 1984, is aiming to win an absolute majority in the assembly after gaining a respectable 48 per cent in the last election. That was no mean achievement in this once rock-solid Social Democrat (SPD) city, and Herr Diepgen might just achieve his goal.

West Berlin's badly tarnished image of a few years ago has been much improved under Herr Diepgen and his predecessor, Herr Richard von Weizsaecker, now West Germany's President. Electronics companies have been attracted to the city by the pro-business climate under Herr Diepgen and his economics chief, Herr Elmar Pieroth, a highly successful west German wine producer turned politician. Although unemployment remains high, this year was the first in more than a decade in which as many industrial jobs were created as were lost.

Herr Diepgen's SDP opponent, Herr Hans Apel, whom the mayor sarcastically refers to as "this gentleman from Hamburg" belongs to the pro-Nato right wing of his party. He would appear to be a strong challenger in a city where the bulk of the populace remains solidly pro-West, while the AL wants the Allies out of West Berlin.

However, Herr Apel, a former Defence Minister under Chancellor Helmut Schmidt, was plucked out of Hamburg by his party in Bonn to slay the CDU dragon in Berlin, a task he accepted only reluctantly. His campaign has been weak from the start and few Berliners appear to believe his pledge that he will remain in the city even if he loses the election.

Several polls predict a hung assembly if the FDP fails to be re-elected and Herr Diepgen is forced to form a minority government dependent on the SPD's favour.

Herr Apel has sworn that the Social Democrats, who polled 38 per cent in 1981, will not enter into a coalition with the AL if both parties together should top the 50 per cent mark.

The final possibility, and the one flatly rejected by both the CDU and the SPD in Berlin, is a grand coalition along the lines of the one which goverened in Bonn from 1966 to 1969.

Howe seeks freer EEC services sector

By Alan Friedman in Milan

A CALL for liberalisation of Europe's service sectors was issued last night by Sir Geoffrey Howe, the British Foreign Secretary. Speaking here, he stressed the urgency of "a collective European effort" to liberalise and open up Europe's telecommunications, airlines, financial services and professional services sectors.

He accused European air services of being "notoriously cartelised and subsidised" and said this meant more cost and continuing inefficiency. "The members of the European Community must deregulate," Sir Geoffrey added, citing as an example of increased competition the shuttle between London Heathrow Airport and Scotland.

Sir Geoffrey said that, contrary to the Treaty of Rome, financial services in Europe are not freely available throughout the Community. He called for measures to ensure that insurance services could be bought and sold freely between all Community countries, just like manufactured goods.

He also stressed the need for the stock markets of Europe to be more closely integrated, saying that there were "exciting new opportunities here for centres like London and Milan."

While praising the working since 1979 of the European monetary system (EMS) for promoting "sound economic management and discipline in the countries which belong to the exchange rate mechanism," Sir Geoffrey said that the present state of the markets, and of exchange rates in particular, makes this a difficult time for Britain to join.

The entry of sterling should take place only in conditions in which it will promote greater stability for the EMS and for sterling itself, he concluded.

Then, saying that he was stealing "James Bond's phrase," he noted that "we have never said never."

Liberalising the high technology sector was high on Sir Geoffrey's agenda. He said that, for new products and techniques, a common European standard should be axiomatic. Meanwhile, in the area of professional qualifications, he said that architects, accountants and engineers, for example, should have their qualifications accepted by every EEC member state.

Sir Geoffrey made use of the occasion last night to pound home a favourite theme of visiting British government officials here by complaining of frontier formalities which cause "long lines of coaches and lorries" waiting at borders. He said that at present these delays cost European industry Ecu 800m (£488m) a year.

Returning to another familiar theme, Sir Geoffrey attacked "the excesses of agricultural expenditure" in the EEC, saying these absorb more than 70 per cent of the total Community budget.

While expenditure on "Mediterranean products" had been lower in absolute terms than on "Northern products," it would be wrong to inflate spending on Mediterranean agriculture "until it reaches the monstrous proportions of expenditure on Northern products."

Instead, Europe must get a grip on the costs to the Community of Mediterranean agriculture and at the same time bring down the costs of milk, cereals and meat.

Basque police chief killed by car bomb

By Tom Burns in Madrid

SUSPECTED BASQUE terrorists yesterday killed the chief of the Basque autonomous police force. The bomb attack was the first recorded against a member of the local security service and appeared to mark a new strategy for the separatist organisation, Eta.

Col Juan Carlos Arkotxa (52) was killed on the outskirts of Vitoria, the seat of the Basque autonoumous government, by a booby trap explosive attached to his car. Col Arkotza was the commanding officer of the 2,000 strong Ertzantza, orl ocal Basque police force, which was set up in 1982 after the region gained an autonomous and self-governing status.

The attack marked a departure from the normal pattern of terrorist violence in the area and seemed certain to inject new virulence into the Basque problem.

The Ertzantza have traditionally been closely associated with the locally governing Basque Nationalist Party (PNV) and had stood aloof from the covert urban guerrilla war waged by Eta on the Madrid-based security services.

While the PNV has been increasingly public in tis criticism of Eta, it had also so far escaped the effects of the endemic separatist violence in the region.

PNV officials were outspoken yesterday condemning the murder. Sr Jose Antonio Ardanza, who was nominated at the beginning of the year by the party to head the regional Basque government, termed the assassination "an attack on the will of the Basque people who have freely created their own institutions."

Politicians in Madrid and Vitoria had little doubt that Eta was responsible for the killing.

W. German forecast bright for electrical industry

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY'S electrical industry expects another sturdy performance this year, although it sees signs of its rapid growth slowing down.

The industry boosted the value of its production last year by as much as 8.7 per cent in real terms, more than twice the increase it originally expected and increased its workforce by 32,000 to 936,000.

With a cautious assessment of both domestic and foreign market trends, it has set its sights this year on production growth of 5 to 6 per cent, with further jobs being created.

The sharpest growth has been in data processing and communications technology, as well as certain power engineering equipment. On the other hand, there was a drop in the value of output of some consumer goods last year, such as television, radios and refrigerators.

Gaining momentum from new technological developments,(the industry's progress far outstrips West Germany's modest overall economic growth, which picked up to 2.6 per cent last year and is expected to continue at much the same rate this year.

Professor Rudolf Scheid, chief executive of the Electrical Industry Association (ZVEI), said that there were signs of uncertainty in some sectors of the West German economy, especially building. The electrical industry was benefiting more from the economy's switch-over to new technology than from a cylical upturn in economic activity, he said.

Dr Helmut Lohr, the ZVEI president, said that increased production and better use of capacity had improved profits in the electrical industry last year. But wage rises and shorter working hours would add nearly 6 per cent to companies' costs this year, although flexible working arrangements should neutralise some of this pressure on profits.

Dr Lohr, who is chief executive of Standard Elektrik Lorenz, a subsidiary of ITT of the U.S., said that the West German electrical industry could match those in the U.S. and Japan competitively. This was despite the advantages which its rivals enjoyed, including a large domestic market.

The European industry's problems arose not from poor research or slowness in marketing innovations but from its small domestic markets, Dr Lohr said. Progress would depend on how far and how fast Europe could go in developing a uniform market.

West Germany's electrical industry increased its exports by 16.5 per cent to DM 59.1bn last year. Imports of electrical goods showed a larger rise of 22 per cent to DM 43.5bn, but this still left West Germany with a DM 15.6bn positive balance of trade in electrical goods.

France and Britain were the biggest export markets, while the U.S. and Japan were by far the largest sources of electrical imports.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

EUROPEAN NEWS

Local polls test for government in France

By David Housego in Paris

FRANCE VOTES this weekend in local elections which are seen as an important test of the Socialist Government's popularity.

The first round of the ballot on Sunday will show whether the recent improvement in the standing of both President Francois Mitterrand and Laurent Fabius, his Prime Minister, in the opinion polls has been translated into increased votes for the Socialist party.

With the withdrawal of the Communists from the coalition of the Left in the summer, the Socialists are increasingly vulnerable to the charge that their administration represents only a small minority in the country.

In the European elections in June (before the departure of the Communists) the Socialists gained only 21 per cent of the vote.

Sunday's vote will show at the same time whether M Jean-Marie Le Pen's extreme right-wing National Front has been able to confirm the breakthrough it made in the European elections when it won 11 per cent of the vote largely at the expense of the orthodox opposition parties.

It will also show whether the Communist party has been able to make a come-back as a result of the change of tack from supporting the Socialists to condemning them for the rise in unemployment.

The second vote the following weekend will demonstrate how far the orthodox opposition parties are prepared to go in making alliances with the National Front, and whether, on the left, Communist candidates will step down in favour of Socialists who are in the lead on the first round.

Opposition leaders like M Jacques Chirac, head of the neo-Gaullist RPR, have declared that there will be no alliances with the National Front at local or national level.

But it is clear that in areas like the South of France or in Lyons opposition and Front candidates are reaching agreements on backing each other in the second round in order to defeat the Left. M George Marchais, the Communist leader, says the Communists will only take a decision on alliances with the Socialists after the first round results. But they would risk poltical suicide if they refused all such agreements.

The campaign has been much quieter than expected given that the polls are widely regarded as a run-up to next year's parliamentary elections. Among the opposition, M Chirac has campaigned largely in his home base of the Correze and M Valery Giscard d'Estaing, the former President, has only rarely strayed from the Puy-de-Dome.

This low key approach reflects the oppositions hopes for a high abstention rate which has benefited them in recent elections in which the Left has had problems mobilising its supporters. But it also reflects the view too much sabre-rattling against M Fabius's centrist administration would damage their credibilty with middle-of-the-road opinion.

Steel aid confirmed

The French Government has confirmed that it will provide the two state-owned steel groups, Usinor and Sacilor, with FFr 30bn (£2.7bn) in aid over the three years 1985-87, writes David Housego.

Feldt warns about threats to economic recovery in Sweden

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH economic recovery has reached a "critical stage," according to Mr Kjell Olof Feldt, the Finance Minister. He warned yesterday that the current private sector pay negotiations could still jeopardise the Government's goal of more than halving by the end of the year an inflation rate which topped 8 per cent at the end of 1984.

Finance Ministry officials admit privately that it is virtually impossible to meet the 3 per cent inflation target.

Mr Feldt indicated yesterday at an economic conference here that the continuing strength of the U.S. dollar and higher than expected interest rates were making it increasingly difficult to promise a real wage increase this year. Such an increase—possibly achieved through an income tax cut—has been the Government's main weapon in persuading the unions to hold wage cost increases below 5 per cent this year.

Despite this warning, however, Mr Feldt, with his eye on this year's general election, painted a positive picture of Sweden's recent economic development and ruled out either "one-sided" economic restraint or an attack on the welfare system.

A much tougher line was adopted at the conference by Mr Bengt Dennis, governor of the central bank. Swedish monetary policy must remain restrictive for the foreseeable future, he said. The mistakes of the past 10 years meant there was no room for the Government to pursue a more expansive economic policy. Dispelling some of the euphoria generated by the recovery of the last two and a half years, Mr Dennis emphasised that fundamental imbalances remained in the Swedish economy.

Domestic interest rates must continue to exceed those abroad by a significant margin, he said. "We have a weak external balance, and a large block of foreign debt. The deficit in the state budget is still very big and we have a high level of liquidity in the whole economy, especially in the corporate sector."

Only a sustained and strong improvement in the current account of the balance of payments would restore room for independent action in economic policy-making, said Mr Dennis. "That presupposes a tight fiscal and monetary policy and a substantial cut in our price and cost levels."

He implicity attacked the Government's performance in failing to control public sector labour costs more firmly.

OECD exaggerates foreign debt figures, says Athens

BY ANDRIANA IERODIACONOU IN ATHENS

THE BANK of Greece has defended its foreign debt figures against those given in a report by the Organisation for Economic Co-operation and Development.

The OECD says that the country's overall external liabilities reached $18.67bn at the end of last year. According to the Bank of Greece, foreign debt at the end of 1983 stood at $10.562bn, with a provisionally estimated increase ot $12.358bn by the end of this year.

The Bank this week said the OECD's figure is higher because it includes in its calculations defence borrowing, private shipping debts and foreign exchange deposits in Greece by Greeks resident abroad.

The central bank's statement was not so much directed at the OECD, as at the Conservative political opposition, which has seized on the report to accuse the Socialist Government of leading the country to bankruptcy.

Mr Dimitris Halikias, the governor of the Bank, says Greece had "no special problem" in raising foreign loans, and foreign exchange reserves remain steady at around $1bn. Foreign bankers in Athens said this week that Greece is continuing to borrow at rates of ⅝ over Libor, despite an estimated current-debt-to-service ratio of about 22 per cent, virtually double the 1980 figure.

However, they point to an increased reliance on Japanese banks, which currently account for about half of Greek borrowing, as well as an increase in the number of smaller, private loans in 1985. Such loans form part of the approximately $600m which has been borrowed in the first two months of this year.

Danish employers threaten lock-out as strike looms

BY HILARY BARNES IN COPENHAGEN

DENMARK's Employers Association has warned 300,000 trade unionists it will lock them out. The lock-out, which could start on March 21, is a reply to strike notices for 250,000 workers by the LO, the Danish equivalent of the TUC.

Mr Benned Hansen, the employers' chairman, said the looming conflict would be one of the most comprehensive in a Danish labour history.

The strike and lock-out warnings were issued following the failure of the two sides to reach agreement on new two-year collective wage settlements, but all contacts have not been broken yet.

The strikes were due to start on March 4, but were postponed until March 21 by the official labour mediator. He has the power to postpone the conflict for a further 14 days. Mr Hansen said April 3 was the most likely date if the dispute becomes a reality.

He urged the Government not to intervene. "Only of the labour market itself takes full responsibility for a settlement can we obtain a sensible result," he said.

But as the unions have called out power workers and oil tanker drivers, the Government may have little choice but to impose a statutory settlement.

IMF talks with Turkey prove to be difficult

By David Barchard in Ankara

TURKEY'S latest round of talks with the International Monetary Fund (IMF) are proving the most difficult since the Prime Minister, Mr Turgut Ozal, took the economic helm in 1980, according to western diplomats here.

Turkey is hoping for a new stand-by facility of around SDR 255m (£229m) to replace the present one-year agreement with the fund which expires in April, last year the fund made SDR 225m available to Turkey.

An IMF team headed by Mr Geoffrey Tyler, the Fund's Turkey desk chief, has spent two weeks in Ankara in what seems to have been somewhat strained dialogue with the Turkish Government.

The IMF is uneasy at the shortfall in government tax revenues and believes public spending should be brought under tighter control.

Fund officials are believed to have warned Turkey that it will be difficult to reach a new stand-by agreement while the budget is out of step with the Government's annual growth target of 5.5 per cent for GNP.

The IMF is believed to be pressing Turkey to lower its firowth targets for this year and to cut back on several major public sector projects.

Concessions of this sort would be politically awkward for Mr Ozal as his Government is going through a difficult period with business unhappy at continuing high rates of inflation—around 12.3 per cent for the first two months of this year

However, Turkish officials and the IMF are thought to be hammering out a new compromise annual programme for 1985, with revised targets.

Patrick Cockburn on the background to the Soviet oil shake-out

Picking up the energy pieces

OVER THE last four years the Soviet Union has conducted a full-scale purge of its oil and gas industry — the largest in the world — in a bid to ensure that its energy programme is carried out successfully.

Almost all managers in charge of oil and gas drilling, the leaders of geological teams and the bosses of construction enterprises in the main oil province have been replaced says Mr Vladimir Dolgikh, the candidate member of the Politburo who is in charge of the energy industry.

His audience was a special meeting last month of the ruling Communist Party in Tyumen Province in the West Siberian Basin, the vast wilderness which is the source of 60 per cent of all the Soviet Union's fuel. They knew that, two weeks earlier, the Oil Minister had been retired early after a slight fall in oil production to 613m tonnes was announced for 1984.

The drop in output was only 3m tonnes but it led to a renewed surge of criticism in the Press and by senior officials of the way the oil and, to a lesser extent, the gas industry, are managed.

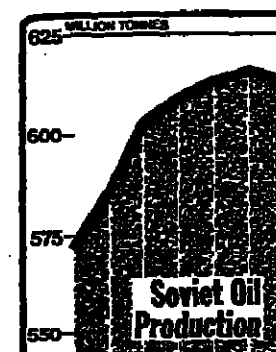
The oil industry in Tyumen was accused of exploiting the oilfields too quickly in order to get spectacular results and for failing to build an adequate infrastructure in the oil and gas fields. The ferocity of the criticism, accompanied by widespread dismissals, shows the concern in the Politburo and Central Committee in Moscow that their energy programme, published last year, is running into trouble. They are worried because the success of the programme is at the heart of Soviet economic development.

The plan's aims for the late 1980s and early 1990s are "the maintenance of high levels of oil extraction, rapid increase in the amounts of Siberian gas extracted and transported to the European part of the country and the accelerated development of nuclear power engineering." New power stations will be built and old ones de-commissioned. To accomplish this, the whole economic centre of gravity of the Soviet Union has to be shifted east and north into Siberia. New towns and roads have to be built in the world's worst climate with winter temperatures falling to as low as minus 55°C. The capital cost is very high. Energy as a whole is absorbing 22 per cent of total Soviet capital investment and almost half its industrial investment over the rest of the century.

The need to scale down the use of oil in the power stations, replacing it with gas and nuclear power, has been emphasised by this winter's extremely low temperatures. Oil exports to the West have been cut in recent months as Soviet consumption soared. Production may also have been hit by the weather.

The margin for error is not large. Out of overall production of 613m tonnes of oil and condensate last year some 1.35m tonnes a day or 493m tonnes over the year were consumed at home, according to Mr Nikolai Tikhonov, the Prime Minister.

This leaves 120m tonnes of oil for export, of which some 75-80m tonnes is estimated to go to other socialist countries, mainly in Eastern Europe. The remainder, or about 45m tonnes is available for export to the West. This is occasionally topped up with oil from Iraq and Libya obtained as barter payment for Soviet exports. This does not mean that the Soviet Union faces a crisis in its oil supplies, as suggested by the Central Intelligence Agency in 1978, but there is little room for mistakes if exports to both East and West Europe are to be continued at present rates. The Kremlin also needs to be sure that, having committed so much of its limited capital resources to the energy programme and West Siberia, it gets its money's worth. Investment in oil alone has almost doubled since 1975, according to Western estimates.



The impression given by Mr Dolgikh and other senior officials is that high output from the oilfields in Tyumen in the late 1970s was achieved at the expense of long-term production. The Oil Minister and the Minister for Construction in the Oil and Gas Industry, both key positions, have been replaced, though not Mr Gennadi Bogomyakov, the head of the Communist Party in Tyumen since 1973, who has presided over the development of oil and gas in the province.

A main theme of criticism is thatt he oil industry in Tyumen lacked the co-ordination to build a proper infrastricture. The construction of housing and social facilities has been "particularly bad," according to Mr Dolgikh. This leads to high labour turnover. The management is also accused of having failed to make the transition of exploiting the easier to the more difficult oil deposits. Maintenance has been poorly organised and there is a lack of unfrozen water for injection into the wells.

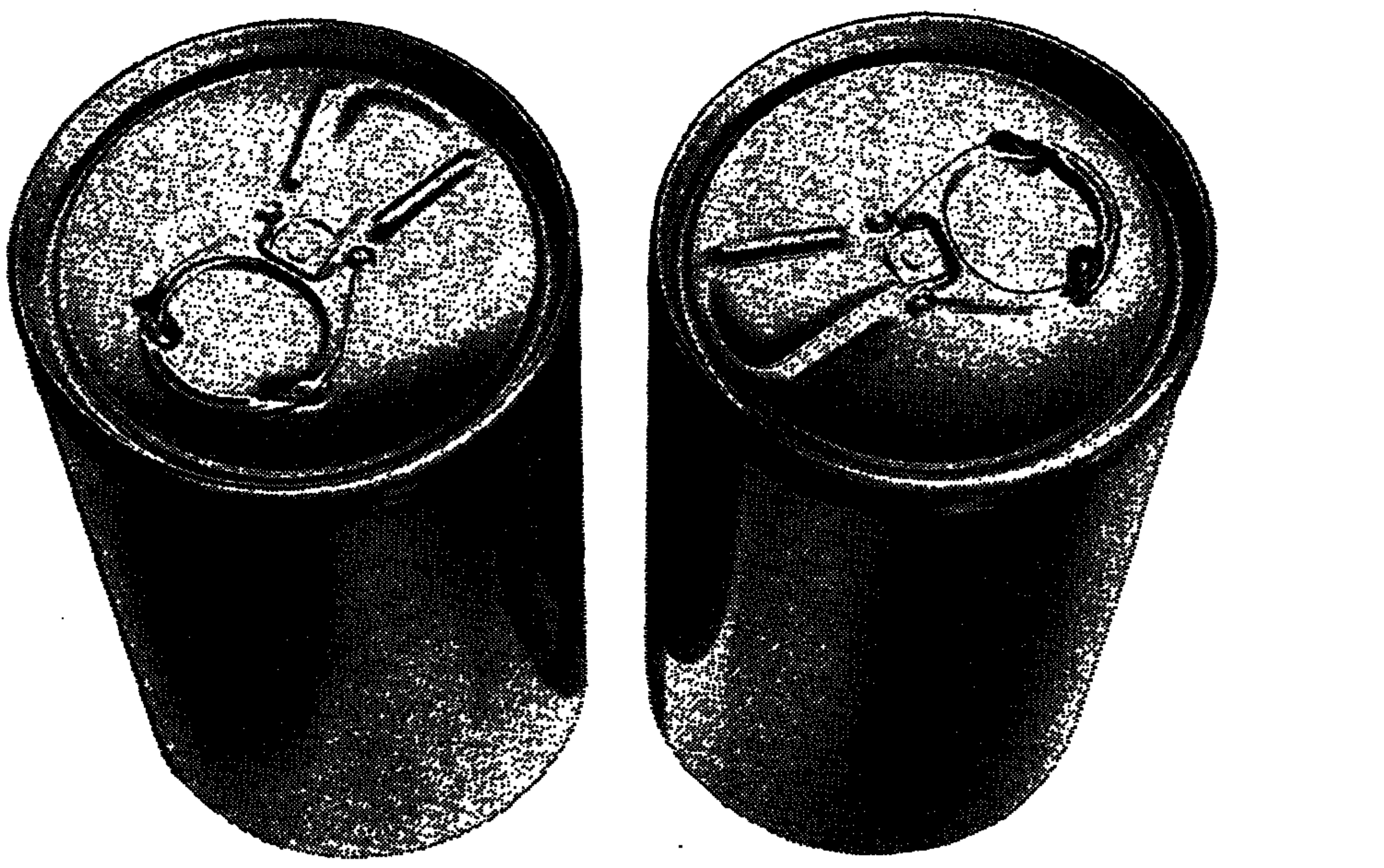
"Things aren't going to well," said Mr R. Kuzovatkin, the deputy Oil Minister last year. "This is because of objective reasons — weather conditions and interruptions in the power supply — and the actions of the oil workers themselves. But the main thing is the poor use of existing oil wells. Considerable money and effort by drillers has been expended, but oil still isn't coming out of the ground."

Much of the responsibility for this failure is now being attributed to the slow rate of construction in Tyumen at the well heads, in providing more sophisticated recovery techniques, electric power and living conditions for the oil workers. The need to get things right in the oilfields is all the more pressing because conditions are even worse in the two main gas fields of Urengoi and Yamburg further north. At Urengoi at first "lack of roads literally paralysed work in the gas fields," said the daily newspaper, Izvestia.

At Yamburg, which is only beginning to be exploited, the black Arctic climate is even less hospitable. For much of the year there are few hours of sunlight and thte temperature often sinks below minus 45°C on the open tundra with access only by river. Most of the buildings are prefabricated modules which are floated on pontoons to where they are needed.

The economic future of the Soviet Union will be partly determined by its capacity to exploit the hydrcarbon reserves of west Siberia, the largest such deposits in the world, in conditions like these. To do so is vastly expensive, absorbing almost a quarter of total investment for at least the next decade.

This makes the energy programme the most important economic development that the Soviet Union has carried out since the war. It also shows why Moscow has reacted so strongly to any sign that its investment is not proving productive.



OVERSEAS NEWS

Iran and Iraq step up border artillery attacks

By Terry Povey

IRAN AND IRAQ yesterday intensified artillery and missile attacks on each others' border cities. Long range missiles killed five in the Iranian city of Dezful and Iranian artillery struck repeatedly at the port of Basra, Iraq's second largest city.

Members of Iran's military believe that the Iraqi attacks are aimed at dislocating preparations for a fresh offensive. They expect the attack to be mounted in the Majnoon Islands and Bustan area in the very near future.

The officers said that last week members of Iran's military high command held a series of planning meetings at Khatam, the operational headquarters for this section of the battlefront.

Among others at the meeting was Mr Mohsen Rezai, commander of the revolutionary guards (who provide the bulk of the forces used in ground attacks—either directly or through the militia units which they command), and Colonel Dezhkan, commander of the 77th division. Troops are believed to have been moved from other fronts in preparation for the offensive.

The Iraqi attacks, which began on Monday with jets attacking the steel complex in Ahwaz and a partially complete nuclear power plant at Bushir, have provoked a hardening of attitudes in Tehran over the Gulf war. Yesterday 150 members of Parliament sent an open letter to Ayatollah Khomeini calling for a strong response to the attacks.

Several Iranian leaders have also called into question the United Nations' sponsored agreement between Iran and Iraq not to attack civilian areas. This weeks exchanges would appear to make the agreement a dead letter—although Mr Javier Perez de Cuellar, the UN Secretary General, still seems to think that it can be saved and has appealed to both countries for restraint.

Israel and Lebanese Army in fresh clash

By David Lennon in Tel Aviv and Nora Boustany in Beirut

ONE ISRAELI soldier and two Shi'ite Amal fighters were killed when Israeli and Lebanese army units battled for two hours in Southern Lebanon yesterday morning. It is the first time that an Israeli soldier has been killed by the regular Lebanese army and this clash seems set to further heighten the tension in the area.

Israeli tanks and helicopters were brought into action after an Israeli unit came under fire when it drove into an area under the control of the Lebanese army.

The clash, which was described as "very grave" by Israeli officers, underlines the deterioration in relations between Israel and the Government of President Amin Gemayel, its former ally.

A number of Lebanese soldiers were reported injured in the confrontation the second clash between the two sides in the last two weeks.

The pitched battle took place near the village of Kaoutriyet es-Siyad, north west of Nabatiyeh. The Israelis said it developed after they had chased a car which they suspected contained Shi'ite guerrillas. Army officials said the clash arose because of the lack of liaison arrangements with the Lebanese army

The Israeli army continued its punitive raids on Shi'ite villages yesterday in search of guerrillas who have been harrassing Israeli troops.

In Beirut the raids were seen as part of an Israeli drive to break the back of a growing militant local resistance movement. The crackdown on Shi'ite activists reached a peak on Monday with the death of two senior Amal officials, in charge of coordinating guerrilla activities, in a blast at the religious centre of Maarakeh. Lebanon has blamed Israel for planting the time bomb, but Israeli authorities have denied involvement.

On Wednesday, Israeli soldiers arrested around a dozen people in a sweep through villages of the Tyre area but came under rocket attack overnight. Scattered shootouts have been reported behind Israeli lines with local gunmen.

Chinese allowed to purchase their own cars

BY MARK BAKER IN PEKING

THE Chinese Government has opened the door to the age of the private motor car. Thousands of ordinary Chinese will be able to own their own cars under a new national system of vehicle sales being unveiled this week.

Only a handful of privileged individuals have been able to buy cars in the past. Less than 500 of Peking's 9m residents have private cars, almost all of them senior party or government officials.

Individuals and private businessmen will now be able to apply to buy imported or Chinese-made cars through a network of sx vehicle sales centres being established in Peking, Shanghai and other large cities.

The centres have an initial stock of 70,000 imported saloons, estate cars, mini cars and trucks to sell, although most of them will go to enterprises or official organisations.

Private customers will need a letter of approval from their neighbourhood party committee and pay a 60 per cent cash deposit.

It is unlikely that there will be a stampede to the showrooms. The cheapest imported Japanese cars cost about $9,000, including a hefty 120 per cent duty—about 30 years' pay for the average urban worker. Chinese-made cars are marginally cheaper.

But many private businessmen and successful peasants, flourishing under China's new economic freedoms, will be able to trade in their tricycles and join the motoring fraternity.

In the past it has been virtually impossible for ordinary Chinese to import cars and almost all of China's annual production of motor vehicles — about 300,000 last year — has been allocated to official organisations, enterprises and collectives.

The few privately owned cars have mostly been second hand models recycled from foreigners living in Peking, Shanghai and Canton.

Last April, the official press proudly reported that a Peking chicken farmer, Mrs Sun Guiying, had become the first peasant to buy a car. However, further investigations revealed that Mrs Sun could not drive and that her husband, a party cadre, was using the second-hand Toyota to drive to his city office.

The official sanctioning of private car ownership is likely to exacerbate the already chronic problems of traffic congestion and pollution in China's largest cities.

More than 100,000 cars are now being imported each year. Volkswagen has established a plant in Shanghai which will produce at least 20,000 a year within four years, and American Motors is planning to build 20,000 Jeeps a year in Peking.

● China has eased restrictions on possession of foreign currency by ordinary residents who receive remittances from family overseas, allowing them for the first time to withdraw the money from the bank, according to the Economic Daily newspaper yesterday, AP reports.

Civil war is no longer unthinkable, **Alain Cass** and **Mervyn de Silva** report

Hopes fade for compromise on Sri Lanka

SRI LANKA is going through the roughest period in its history since independence in 1948. The rivalry between Sri Lanka's minority Tamil population and the majority Sinhalese has escalated to a point where civil war is no *longer* unthinkable.

All-party talks, which produced a draft solution to Tamil demands for greater devolution, have collapsed and, with them, the immediate hope of a political solution.

In the barren northern and eastern provinces of the island, militant Tamil groups have stepped up their campaign of violence against an ill-equipped and inadequate army which, despite a massive increase in defence spending, finds itself under extreme pressure in a hostile environment.

Racial prejudice and fear are slowly becoming the factors in a dangerously unpredictable situation. Increasingly vocal calls by Sri Lanka's Tamils — who comprise 12.6 per cent of the 15m population — for a separate, independent state in the north and east are provoking a hard-line backlash by the predominantly Buddhist Sinhalese majority.

The Sinhalese population, led by an increasingly political clergy and hawks within the Cabinet, see in these calls for "Tamil Eelam," the revival of the historic threat to its very survival from the ancient enemy—the Tamils of the north and their 50m brethren 25 miles across the water in the Indian state of Tamil Nadu.

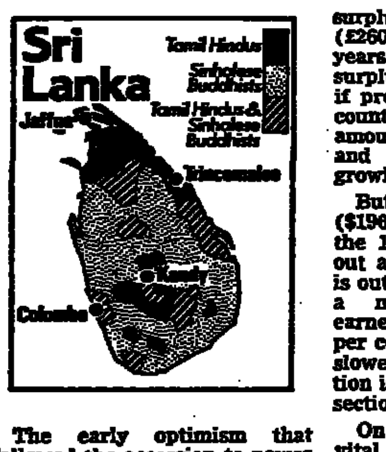
Since the violent outbursts of the summer of 1983, which claimed more than 400 lives, more than 50,000 Tamil refugees have fled to Tamil Nadu, some of them swelling the ranks of the five guerrilla groups that are based and trained in southern India.

Caught in the middle of this apparently intractable problem is Mr Junius Jayawardene, Sri Lank's 78-year-old President. Having failed to pull off a political compromise last year, he appears to be losing the initiative to those in his Cabinet who favour the "Ulster solution"—no compromise with the Tamils, an escalation of the military campaign against the guerrillas and a programme of resettlement of Sinhalese families in the Tamil heartlands.

This sense of drift is reinforced by the impression that Mr Jayawardene is beginning, as one observer put it, to show "signs of physical and mental fatigue."

Mr Jayawardene came to power in 1977. He has only three more years to serve in what will be his last term as President and the present crisis has become closely linked with the question of who succeeds him.

Among his would-be successors is Mr Lalith Athulathmudali, the National Security Minister, and the man in charge of what he calls the "drive to the north." To the concern of some of their colleagues Mr Athulathmudali and his rivals have been orchestrating a "more Sinhalese than thou" campaign which has only served to harden attitudes on both sides.



The early optimism that followed the accession to power in New Delhi of Mr Rajiv Gandhi, who seemed to take a constructive view towards the problem, has somewhat dissipated and the message now is that India wil only mediate again if Colombo is willing to compromise with the Tamils.

The deadlock has so far had no visible effect on Sri Lanka's lifeline—its aid donors. Mr Ronnie de Mel, the country's Finance Minister, still hopes for a slight increase on last year's figre of $580m (£542m) at the June Aid Consortium meeting in Paris. But, even senior Sri Lankan officials admit that the political deadlock and the spreading violence s making donor nations nervous. "Nobody is withholding funds yet," said one official "but they are beginning to fumble in their pockets."

Propped up by high tea prices Sri Lanka was able to record an overall balance of payments surplus in 1984 of SDRs 290m, (£260m), the best for several years. Mr De Mel expects a surplus of SDRs 250m this year, if present tea prices hold. The country's international reserves amount to five months' imports and the economy is still growing.

But the rising defence budget ($196m in 1985 or *seven times* the 1977 figure) may yet wipe out advantages before the year is out. Added to which, tourism, a major foreign exchange earner, is down by at least 40 per cent, inward investment has slowed considerably and inflation is beginning to hurt a broad section of the population.

On the tea plantations—the vital core of the Sri Lankan economy—the Indian Tamils, who came to the island much later than their northern brethren and who have, so far, stayed out of the dispute, are becoming restive.

Mr Jayawardene is now being pressed by many of Sri Lanka's supporters to backpedal the military option and renew the search for a political solution.

Washington, a staunch supporter of Mr Jayawardene's pro-Western, free-enterprise administration, has now told his government that it wants to see a political settlement first before it commits itself to a programme of long-term economic and military aid to this strategically-placed island.

The U.S. is urging President Jayawardene to effect a reconciliation with the Tamil United Liberation Front (TULF), the Tamil's political party. But this will prove difficult, even if the mainstream TULF leadership would like to strike a compromise.

With the collapse of last year's conference, the two positions hardened. The TULF leaders left for India where they *continue* to be given access to Indian leaders, a gesture which further infuriates the Sinhalese.

The party's support for "Tamil Eelam" was pure election rhetoric but, compromise having failed, the TULF now talks a tougher, more radical language.

The Government position is "no talks with the TULF" (unless it renounces "Eelam") and "no negotiations with Delhi."

This was later amended to "discuss but not negotiate," a distinction that hardly conceals the dilemma of a Government that needs and seeks Delhi's help but does not wish to be seen by the Sinhalese to be subject to Delhi's dictates.

The U.S. may persuade India to help Sri Lanka find a political solution eventually, but this will be at a price—a compromise by the Sinhalese which involves substantial concessions towards devolution in the Tamil areas.

Since such a settlement is not possible without an open and genuine Sinhala consensus—and this includes the opposition Freedom Party of Mrs Sirimavo Bandaranaike, the former Prime Minister—and since few on any side appear interested in compromise for the present, Sri Lanka faces an increasingly volatile future.

Vietnamese attacks may spur China to retaliate

By Our Foreign Staff

CHINA CAME under renewed pressure yesterday to come to the aid of Kampuchea's resistance forces under heavy attack from Vietnamese troops along the Thai border.

Western diplomats believe that China, the main international backer of the anti-Kampuchean groups and a close supporter of Thailand, may soon be forced to increase military pressure along Vietnam's northern border in retaliation for Hanoi's major incursion into Thailand.

The Kampuchean mountain stronghold of Prince Norodom Sihanouk came under heavy shelling from Vietnamese forces yesterday prompting fears that it could fall. The barrage coincided with fresh fighting between Thai and Vietnamese troops in north-east Thailand across the border from Prince Sihanouk's Green Hill base.

Sasol reaches deal with unions

By Anthony Robinson in Johannesburg

AFTER MONTHS of negotiations between South Africa's Sasol oil-from-coal company and the black Chemical Workers Industrial Union (CWIU) the two sides have reached an agreement under which over 70 per cent of the 5,104 workers sacked in November have been reinstated.

Sasol fired the men after the two-day work stoppage in the Transvaal in protest against military and police repression in the black townships.

The compromise agreement removes the threat of a national sympathy strike by 24 unions affiliated to the major trade union federations.

Shultz Canberra visit

Mr George Shultz, U.S. Secretary of State, will visit Canberra in July, Prime Minister Bob Hawke said yesterday, Michael Thompson-Noel reports from Sydney. Talks are likely to centre on the crisis in the Anzos defecence pact.

Earlier this week, Mr Hawke had said that an Anzos council meeting scheduled for July had been postponed indefinitely, indicating that the U.S.-Australia-New Zealand pact was virtually inoperative after New Zealand vetoed nuclear ship visits.

AMERICAN NEWS

Hugh O'Shaughnessy profiles Paraguay's military dictator ahead of his visit to Bonn

Strong man Stroessner shrugs off criticism

DESPITE criticism from the opposition and from within the ranks of his own supporters, Chancellor Helmut Kohl of West Germany is sticking by his decision to invite the longest serving military dictator in Latin America to visit his country this summer. Chancellor Kohl is brushing off charges that General Alfredo Stroessner of Paraguay has given shelter to prominent Nazis for decades and that he is currently impeding the search for Josef Mengele, a former Nazi now naturalised Paraguayan, who was responsible for murder and genetic experiments on the inmates of Auschwitz concentration camp.

The impending arrest of Sr Domingo Laino, leader of Paraguay's Liberal opposition, when he flies into Asuncion from exile tomorrow, will add fuel to the controversy—at least among German Liberals, partners in Herr Kohl's coalition.

General Alfredo Stroessner was born in Paraguay, the son of an immigrant German brewer and his Paraguayan wife. He has been president of the landlocked South American republic since 1954. Now 72, he has won six elections with same regularity with which the Communist parties are returned in Eastern Europe. He has enjoyed three decades of power using a mixture of military force and political guile.

Gen Stroessner has been a soldier from his earliest years. He was educated in the military college in Asuncion, the Paraguay capital, and was commissioned into the artillery at the age of 20. That was just in time for the 1932-35 Chaco War between Paraguay and Bolivia which gave him a chance to win his spurs in a contest in which the Paraguayans emerged victorious.

In the 1930s and 1940s he progressed quickly up the ladder of promotion becoming commander-in-chief of the armed forces in 1951. By the time he reached the top of the military tree, Paraguayans used to say, Paraguay was more a comic opera than a country. In the previous 84 years there had been 45 Presidents, seven of whom were generals and three colonels. In 1912 there had been three Presidents, and in February 1949 alone, Paraguay was ruled by three different governments.

Gen Stroessner set out to change that. Once in the commander-in-chief's office he got a grip on his fellow officers which he has never relaxed.

This was vital in a country which prides itself on its martial virtues. Paraguayans recall with pride how they not only defeated the Bolivians in the Chaco War but came close to defeating the combined forces of Brazil, Uruguay and Argentina in the War of the Triple Alliance in the 1860s. In that war Paraquay lost half its population and a huge proportion of its men, upsetting the demographic balance between males and females for generations. Paraguayans, however, feel that they took to defeat gloriously.

During his period in power,

Stroessner . . . power based on military force and political guile

Gen Stroessner has not hesitated to use the army and the police against his opponents with extreme ferocity. Any attempts by the opposition to mount a guerrilla campaign against him were swiftly and brutally stamped out. Senior officers in the army have been kept loyal by the attractions of generous business contracts and a chance to participate in Paraguay's legendary contraband business

But General Stroessner has been more than simply a military dictator. He has dominated politics through his management of the traditional Colorado (Red) Party. The Colorados and the Liberales are to Paraguay what the Tories and Whigs were to eighteenth century Britain and, in the Colorados, Gen Stroessner found his perfect political vehicle. He has used it to project himself as the father of all Paraguayans.

He has drawn political support from the traditional Colorado families who would rather have had him in power than a Liberal; he has tapped the loyalties of the large numbers of German-Paraguayans through whose ranks his father rose and like all Paraguayan politicians he is fluent in Guarani, the widely used indigenous language which confers a seal of authentic Paraguayan-ness on him.

In Germany itself relations with Gen Stroessner have been promoted by a strong business lobby with connections to the German community in Paraguay which numbers tens of thousands. These connections have been strengthened in recent years as German investors have been targetted by various companies selling land in Paraguay. Some of these real estate companies have proved to be fraudulent but the genuine ones *among them* have done enough business to add appreciably to the existing business lobby.

Among the *German* banks operating in Asunción are the Dresdner Bank, the Deutsch-Suedamerikanishe Bank, the Banco Aleman-Transatlántico (a branch of the Deutsche Bank) and Deutsche Bank itself.

From a deeply entrenched political and military base, he has been able to shrug off the toughest pressures. The Roman Catholic church once decreed an interdict against him—the most severe sanction the Archbishop of Asuncion could impose short of excommunication. But he survived that. In the Carter years the U.S. Government, in the person of its ambassador, Mr Robert White, did its best to force Gen Stroessner to take more account of human rights. But in vain.

He has kept Paraguay a personal fiefdom, as several Paraguayan leaders did in the 19th century, and made it virtually impervious to outside influences.

Inside, he has done what he pleased. Despite international protests, he has shown no sign of wanting to aid in the search for Josef Mengele, the Nazi war criminal who openly acquired Paraguayan nationality under his own name in 1960.

Edward Rochmann, the infamous Nazi "Butcher of Riga" died quietly and openly in Paraguay in 1977 without any trouble from Gen Stroessner.

The toughest criticism of Gen Stroessner seems to fall from him like water off a duck's back.

When—or perhaps if—the Paraguayan president arrives in Bonn in July neither the Federal President Herr Richard von Weizaecker nor Herr Hans-Dietrich Genscher, the Liberal foreign minister, will be there to welcome him. They have already announced they will be otherwise engaged.

Colombia seeks to avoid IMF conditions in debt deal

BY ROBERT GRAHAM, RECENTLY IN BOGATA

COLOMBIA has pledged to make all necessary economic adjustments required by the international banks in order to obtain fresh credit. However, it wants to make the adjustments on a voluntary basis without adhering to a programme imposed by the International Monetary Fund.

This is the basis of Colombia's strategy in delicate negotiations with the banks and talks with the IMF, Sr Roberto Junguito, Economy Minister, told the FT. "We think we are making all the necessary adjustments and if more are necessary then we shall make them," Sr Junguito said. "If we can make the adjustments on our own, then we have greater room for manoeuvre."

An IMF consultative mission has just completed three weeks in Bogota, leaving yesterday. The report, due at the end of the month, will determine whether or not Colombia can go it alone.

A consultative group of banks, formed in January, and headed by Chemical Bank, is insisting that Colombia adopt an adjustment programme under the aegis of the IMF as a condition for fresh credit.

According to Sr Junguito, fresh credit needs for 1985 are just over $800m (£760m). This would require the banks to increase their exposure in Colombia by 2.3 per cent.

Sr Junguito concedes its is a political decision to try to avoid direct IMF involvement. But he believes Colombia is acting consistently with the declarations at last year's economic summit in London which said that debtor countries should be treated on a case by case basis.

The argument for special treatment is twofold. First, "Colombia is borrowing to finance ongoing viable export-related projects that involve well known international companies," says Sr Junguito. Second, development projects have been ruthlessly pruned. These include the hydro-electricity sector which the Government of President Belisario Betancur had originally earmarked for the bulk of development finance.

Priority is being given to borrowing for the national coal company, Carbocol, developing coal resources with Exxon, and the National oil concern, Ecopetrol, which has a highly promising venture with Occidental. Coal exports began in mid-February. By 1987 Colombia will be a net exporter of crude oil with a production conservatively estimated at 600,000 barrels a day.

Colombia argues it is being unfairly tainted by the bad debt profile of the region and the banks, general reluctance to increase their exposure in Latin America. Colombia has not restructured its $7.4bn public sector debt and has rigorously maintained payment on all its obligations.

Sr Junguito claims that considerable adjustments have already been made. This year public sector salaries have been held down to a 10 per cent increase against inflation of 18 per cent. New taxes have been raised across the board. Project cuts and economies are expected to reduce the overall budget deficit from 7 per cent of GDP to 4.6 per cent.

Cuts in imports are expected to produce a small $120m trade surplus and the payments deficit should fall to $1.2bn against $2.7bn in 1983.

Diners Club offers a second card. Free. What you do with it is your business.

Now don't confuse this with offers to let members of your family have a card.

That's a different story entirely.

This is an offer of two Diners Club Cards for you.

One has Business Account marked on it. And that's exactly what it's for.

The second card is for your personal expenses.

You get a two-part statement each month. One cheque can pay both bills.

At last there's a more sensible way to solve the nightmare of deciphering your business expenses from your personal charges each month.

It's also useful to keep your tax affairs in order.

And this second card doesn't cost you any extra.

First

Now what surprises us about this simple but effective solution to a very common business problem is that Diners Club was the first card to offer it.

And is still the only one that does.

But maybe its not so surprising when you remember that Diners Club was the first charge card ever. And also the first card without a pre-set spending limit.

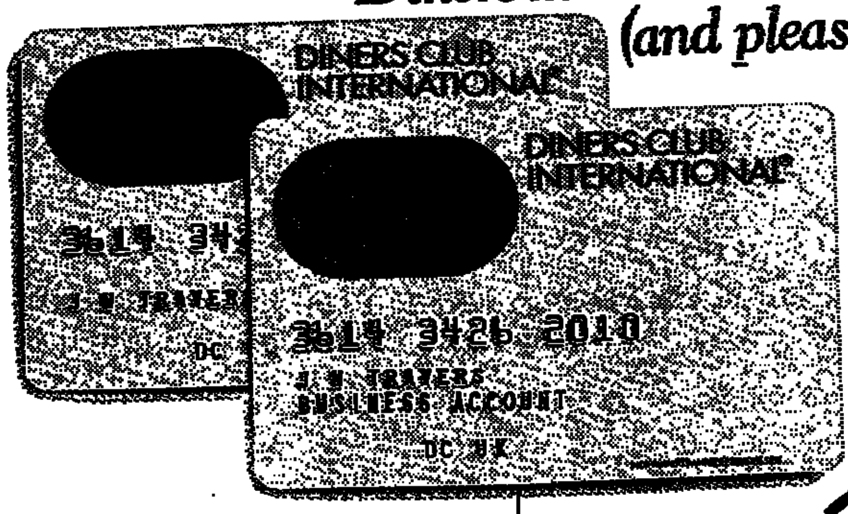
Recognising one of the most important needs of the travelling businessman.

International

Needless to say both of your Diners Club Cards are acceptable at any of the half a million hotels, restaurants, airlines, travel agents, stores and car hire companies around the world that display the Diners Club sign.

If you'd like to know more about how two cards are better than one, post the coupon or telephone 01-930 2755.

Diners means business (and pleasure).



For full details of becoming a Diners Club Cardholder, send to Diners Club International, 26 St. James's Square, SW1, or more simply, phone 01-930 2755.

Name ________

Home Address ________

Business Telephone ________

☐ Existing Diners Club Cardholder requesting second Card.

☐ I am interested in Diners Club Corporate Membership.

(The double card offer does not apply to corporate cards.)

CAJD

WORLD TRADE NEWS

Duty-free zone backed for Eilat

By David Lennon in Tel Aviv

A PROPOSAL to turn Israel's winter holiday resort city of Eilat into a free-trade zone has been endorsed by Mr Shimon Peres, the Prime Minister. His approval, which came this week, will make Cabinet approval likely in the near future.

The first aim of the proposal is to make the Red Sea city a much cheaper destination for tourists, one of the main sources of income for Eilat. At a later stage, incentives will be introduced for industries to set up in Eilat.

Tourists spent $70m (£65m) in Eilat last year, but the occupancy rate in the town's 4,000 hotel rooms. Was only 57 per cent in 1984.

The city's port is operating at less than half capacity and the creation of a duty-free zone is also aimed at bringing more business to the town.

Within six months of Cabinet approval, the first stage will be implemented; value added tax and employment taxes will be cancelled, income and corporation taxes will be reduced and the levies on items such as aviation fuel will be cancelled.

The first stage will be operated as a trial for a year or two and only after that will the second stage, which will include total abolition of taxes, be implemented.

Dutch euphoria over FSCs fades

BY LAURA RAUN IN AMSTERDAM

AS GOOD traders, the Dutch were delighted when the Americans approved the Netherlands as a place to establish Foreign Sales Corporations, offshore companies with highly attractive tax advantages for U.S. exporters. The Netherlands, apparently the first foreign country to fashion tax guidelines for the corporations, gave them favourable treatment under existing Dutch law in a bid to stimulate investment.

However, euphoria about the corporations and their boost to the Dutch economy is fast wearing off. In the four months since the U.S. announced the qualifying countries only 30 or 40 FSCs have been designated in the Netherlands, according to tax accountants, bankers and lawyers—the Government has no figures available. This is a far cry from initial predictions which were as high as 3,000, and has prompted a re-evaluation of exactly what the corporations are and how the Netherlands views them.

An FSC is a sales company that can advertise, process orders, invoice and assume credit risks, among other things, for a U.S. exporter. A certain amount of the operating costs incurred must be attributed to the corporation to qualify for the tax exemption offered by the U.S. Internal Revenue Service.

Between 30 per cent and 70 per cent of a corporation's net foreign trade income can be exempted from U.S. federal taxes, depending on the accounting method used to determine the cost of goods sold.

The U.S. created FSCs as a replacement for Domestic International Sales Corporations, U.S.-based trading units that were found by the General Agreement on Tariffs and Trade (Gatt) to be providing illegal

The U.S. drive to establish Foreign Sales Corporations abroad looks to be troubled by two obstacles: the inability of some foreign countries to match the tax-free benefits of some U.S. possessions and fears that the Gatt might still challenge FSC legality

export subsidies. FSCs were designed to overcome this criticism and thus may be established in any of about two dozen foreign countries or U.S. possessions with tax and accountability laws that are satisfactory to the IRS.

For its part, the Netherlands believed it could profit from the sizeable U.S. operations already established here as well as from newcomers. Within weeks of those countries qualifying for FSCs, the Dutch Finance Ministry issued tax guidelines on how the corporations ought to be treated. The suggestion was that 5 per cent of an FSC's local costs be considered as taxable income, upon which the 43 per cent corporate tax would be levied, resulting in an effective rate of 2.15 per cent.

This method, however, is open to interpretation. The lower an FSC's domestic costs, the lower the Dutch tax liability, which is desirable because foreign taxes paid by an FSC and not allowed to be deducted from the domestic U.S. taxes. Tax accountants in different Dutch cities are known to be advising widely varying minimum cost figures, with Fl 600,000 (£150,000) a year the most prevalent although as little as Fl 300,000 has been mentioned. This would imply a Dutch tax bill of just Fl 6,450 (£1,600).

But the Virgin Islands, for example, offer a nil tax liability and an overwhelming majority of the FSCs nominated so far have been established in either the Virgin Islands or Guam, FSC experts note. Offshore companies there can be "bought off the shelf" from U.S. trust companies and accountants in a cheap and simple manoeuvre, according to a U.S. banker in the Netherlands.

The disappointment for the Dutch, then is that low taxation by itself does not appear enough to draw the numbers of FSCs originally envisioned. The initial hope was that they would attract investment and create jobs that could help combat the persistently high, 17 per cent, unemployment rate.

As it turns out, Dutch FSCs are most appealing to those U.S. companies already operating here such as IBM, Dow Chemicals, General Motors and Honeywell.

Foreign investment proponents hope that the Netherlands's attraction as a gateway to Europe will win more support from U.S. exporters.

In Europe, Holland's effective FSC tax rate of 2.15 per cent compares favourably with Belgium, where it is understood to be 8 per cent. Britain, Switzerland and Italy were not designated by the U.S., apparently due to reservations over the legality of FSCs and resistance about compliance with U.S. tax disclosure requirements.

There remains the spectre of the Gatt's original objection to the Disc problem and whether or not the fledgling FSC programme may, of itself, be in violation of the world trade body's competiton rules.

According to Mr Marten van der Lande of Nobel and Van Wierst tax consultants, the EEC may still file a complaint with Gatt against the FSC law.

"Some people think it creates a fake company, no different from Discs, and that is the essence of the Gatt problem," he believes.

Sweden wins DM40m flue order

By David Brown in Stockholm

FLAKT, THE ventilation equipment and polution control subsidiary of the Swedish Asea industrial group, has won two orders valued together at DM 40m (£11m) to provide flue gas desulphurisation units in West Germany.

The first and biggest is for a municipal coal-fired power station in Nürnburg and is worth DM 30m. The second is a coal and oil-fired plant at the University of Freiburg. The Nürnburg unit will be delivered with an oxidisation plant to convert residues from the process into additives used in cement manufacturing. Both plants are to be operational by late 1986.

The West German market for such equipment has been expanding quickly since Bonn's passage last year of stricter legislation governing sulphur dioxide emissions.

● FERMENTA, the Swedish technology and chemicals group, has signed a letter of intent to take a quarter-stake in a joint pharmaceuticals production venture based in Egypt. The venture will pay SKr 20m (£2m) for the right to use Fermenta technology for its licensed production of a number of penicillin-based drugs.

China rebukes U.S. for 'protectionism' of textile import rules

CHINA has rebuked the U.S. for new customs rules that it claims will limit textile imports and accused Washington of protectionism, AP-DJ reports from Peking.

"The U.S. had better reconsider its position" the official news agency Xinhua said in a commentary from Washington on the final version of the country-of-origin rules which take effect next month.

Xinhua called the rules "A new move taken by Washington to undertake protectionism. It will undermine the existing international trade order, violate the existing trade pattern and affect China's export of some products."

A preliminary version of the rules was announced in September, inciting strong criticism from China and other textile exporters to the U.S. market. The U.S. Government delayed final implementation pending consultations with the complainants.

On Tuesday the U.S. Customs Service said it was proceeding with the rule, although with slight amendments. They are designed to prevent textile-exporting nations from evading U.S. quotas by shipping partly completed garments to third countries for re-export under unused quotas.

China ships millions of dollar's worth of U.S.-bound textiles, particularly woollens, through Hong Kong for finishing. Under the new rules, most of these textiles will be banned from the U.S., affecting an estimated 50,000 Hong Kong workers and 100,000 in China.

Meanwhile in Washington the U.S. Customs Service released reports listing many instances of possible fraud in the textile-import industry and claiming that the U.S. import-quota system encouraged the wrongdoing.

The reports were submitted to a hearing of a subcommittee of the House commerce committee. Combined with complaints by domestic clothing manufacturers about rising import levels, the disclosures are likely to spur Congressional action to tighten curbs on foreign competition.

Mr Doug Barnard Jr, a Georgia Democrat and chairman of the subcommittee, warned that an "immediate freeze on import growth may be necessary to provide relief for the domestic textile and apparel industries."

The customs reports give examples of traders circumventing U.S. quotas through allegedly fraudulent shipping documents, bogus trademarks, understatement of the quantity and weight of shipments and shipments through countries that either have not yet reached their quotas or do not have a quota at all.

The reports identify 44 U.S. companies as the consignees of suspected fraudulent shipments but the subcommittee withheld their names because the cases are still under investigation. The customs documents also name 42 companies in Hong Kong, 11 in Indonesia, and seven each in Taiwan, Singapore and West Germany as "exporters alleged to be involved in textile fraud."

The Customs Service reported that it had seized $80m (£74.76m) in suspect textile shipments during the 15 months to last December.

The U.S. textile quota system is based on bilateral agreements with 34 countries restricting imports in 109 product categories. U.S. manufacturers told the House panel the system is "seriously flawed" and the customs reports appear to bear them out in some respects.

Growth forecast for sales of commercial helicopters

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD market for commercial helicopters of all sizes between now and the end of the century is estimated at over 17,300 aircraft, worth close to $19bn, according to forecasts by Sikorsky Aircraft, the world's largest manufacturer of helicopters.

The Sikorsky studies show that in addition the total world market for military helicopters to the end of the century will amount to about another 18,000 aircraft, worth $52.6bn.

The higher value of the military market is accounted for by the greater number of bigger, heavier and more specialist-equipped aircraft that the armed services throughout the world will need.

By contrast, the bulk of the civil aircraft will be in the smaller, lighter and therefore cheaper categories.

Currently, civil markets for helicopters world-wide are sluggish, reflecting the slower resurgence of demand from industry as it climbs out of the recession.

Demand for new helicopters in the off-shore oil and gas exploration and support industries—one of the main sources of orders—has slackened considerably over the past few years.

But Sikorsky believes that this market will grow again before the end of the century, as oil continues to be the main source of the world's energy, requiring extensive development and support operations.

At the same time, as civil helicopters becomes less noisy, more fuel efficient and more comfortable, designed for the job rather than being adapted from military types, commercial customers will increasingly turn to them, especially in the U.S. and Western Europe.

This will generate the increased demand forecast for the 1990s, when the bulk of the market will materialise.

Among military markets, demand is likely to be mostly from non-U.S. sources, accounting for about 10,800 aircraft, worth about $30bn.

U.S. Government requirements (almost entirely for military requirements) will amount to about 7,200 aircraft, worth about $22.6bn.

● Boeing Vertol of the U.S. is now refurbishing the world's biggest helicopter, the original XCH-62 of the late 1970s, for a first flight in 1988, under the U.S. Army's Heavy Lift Helicopter (HLH) programme.

Capable of carrying a payload of over 35 tons (well in excess of the world's currently biggest helicopter, the Soviet Mil-26, which can carry about 23 tons), the XCH-62 was first developed in the mid-1970s, but never flown, the programme being terminated by the U.S. Army in 1975.

Subsequently, the U.S. Army has decided that for the 1990s it will need a major heavy-lift helicopter capability, and has instructed Boeing to resurrenct the venture.

The airframe, completed but never flown, has now been brought back into the Boeing Vertol factory at Philadelphia, and is being overhauled, re-engined and prepared for a roll-out in 1987, and flight in 1988.

Amazon railway changes future for northern Brazil

BY ANDREW WHITLEY IN RIO DE JANEIRO

IF THE image of the Amazon region as an impenetrable jungle vastness still lingers in some quarters, let it be banished now.

Last week Brazil formally opened to traffic a 556 mile railway through the south eastern part of the Amazon. It was built in just over two years, for two-thirds of the originally budgeted price—and not a single foreign contractor or consultant was in sight.

The railway is the communication link making possible the Carajas and Iron Ore project, a $4.1bn (£3.83bn) scheme to unlock the mineral wealth of a remote part of north Brazil previously inhabited only by a scattering of primitive Indian tribes.

For most of its length, the railway runs through relatively thin jungle vegetation, permitting a fast rate of track laying. Apart from a modest mountain range, the only serious obstacle was the mighty Tocantins River, the main waterway running south from the Amazon.

The Carajas mines this year start trial shipments of iron ore along the new $1.4bn railway to the coastal ports of Sao Luis, in Maranhao state. The ore will then be shipped to European and Japanese steelmakers, who have already agreed to start taking a total of 15m tonnes of Carajas ore a year as from 1986.

This initial capacity figure will be increased in stages over the following two years, up to the project's full planned capacity level of 35m tonnes.

Fixed investment in the Carajas iron ore project to the end of 1984 by Companhia Vale do Rio Doce, the state-controlled minerals company responsible, came to $2.15bn—about 60 per cent of the projected grand total. The largest chunk of these funds has been spent on the railroad.

In fact the railroad is destined to be much more than a simple courier of minerals through a previously undeveloped region. Its strategic justification is that it will stimulate economic growth along its length, through the states of Para and Maranhao.

There is already tangible evidence that this vision will not remain the pipe dream of some bureaucratic planner in distant Brasilia. Maraba, where the railway crosses the Tocantins River, is one of the fastest growing towns in northern Brazil.

Mineral processing plants are being set up in Maraba to handle the ores from the Carajas mountains. Large-scale agricultural projects are also going ahead in the region, through private investment by southern Brazilian companies,

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

United Dominions Trust

How a financial survivor is now aiming to add a little lustre

BY DAVID LASCELLES

WHEN THE Trustee Savings Banks are floated on the Stock Exchange later this year, the group will include one of Britain's familiar financial names: United Dominions Trust, or UDT, the eminent finance house best remembered as the largest casualty of the secondary banking crisis in the 1970s.

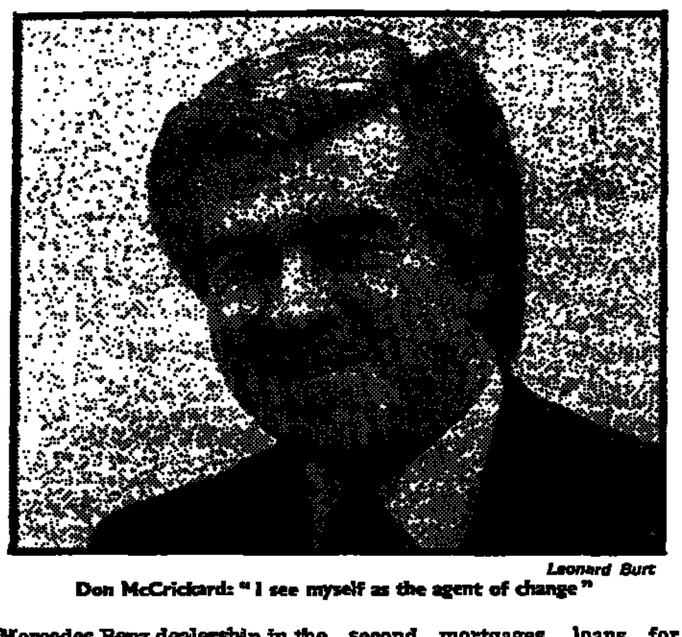
At one stage, UDT received £600m from the Bank of England's "lifeboat," nearly half the entire funds employed in that dramatic rescue operation. UDT survived, much weakened, and was bought by the TSB for £109m in 1981 after a bidding contest with Lloyds Bank.

Not an auspicious beginning to the new relationship, perhaps. But TSB had set its sights on becoming a major force in the UK banking market and wanted a finance house subsidiary to match the big clearing banks. In the last four years, TSB has taken UDT in hand, and given it a strongly marketing-minded management under Don McCrickard, who arrived in 1983 from American Express where he masterminded its "That'll do nicely" sales campaign.

"I see myself as the agent of change," says McCrickard, 48, who had key positions in Amex in the UK, New York and the Far East. He has been told to rejuvenate UDT and boost its rather lacklustre profitability—no easy task at a time when the financial services industry is becoming fiercely competitive, and UDT itself has a legacy of bad loans to work off.

Those who remember UDT as the place where you get a car loans would not have much trouble recognising the company today. More than half its business is still in "point of sale" finance, mainly autos and caravans, where it is a market leader with some £650m of its £1bn loan portfolio. There are also smaller divisions making personal and business loan would not have much in Dublin.

Rather incongruously, UDT also owns Valkyrie Motor Holdings, a chain of 12 retail motor dealers including the largest Mercedes Benz dealership in the UK. These were acquired through foreclosures on defaulting borrowers. Completing the picture is Swan National, the car rental company which became part of UDT many years ago during the grand days when it was snapping up everything in sight.



Leonard Burt

Don McCrickard: "I see myself as the agent of change"

Faced with this assortment of businesses, McCrickard's approach is to single out the fast-growing markets, which he has indentified as finance for the home-owning and professional classes. Apart from constituting a body of people who need personal loans and are likely to pay them back, this target is also a way the TSB group as a whole can move slightly up-market.

The bulk of the TSB's customers are in the C1-C2 socio-economic groups and about half of them own their own homes. UDT has some Bs, and the homeowner figure is slightly higher.

"Personal loans represent about 10 per cent of our business at the moment. They could rise to 40 per cent in the next three years," says Mr McCrickard.

These markets include second mortgages, loans for *home improvements* and consumer goods as well as tailor-made finance services for people like doctors and accountants wanting to equip their businesses. The loans are marketed through subsidiaries with names like Endeavour Financial Services and British Medical Finance, which advertise in the specialist press.

The emphasis is on speed of execution and aggressive pricing. UDT aims to offer a loan on slightly better terms overall than the banks and building societies, its main competitors, though it charges a slightly higher rate of interest and makes up for it by not charging any fees.

This also means that UDT can find itself in healthy competition with its TSB parent, though the overlap is not that large.

UDT funds its lending through its own Treasury operation in the City. *And it has just* completed a big attack on costs by installing a highly computerised loan processing unit, and moving its main offices from the City to suburban Barnet at an annual saving of £1m in rates and rent. Staff and branches have also been trimmed, and the International Commodities Clearing House *subsidiary was sold off to a* group of banks.

These efforts have begun to pay off in higher returns. Last year, UDT boosted operating profits by 37 per cent to £10.4m on a total balance sheet of £1.2bn, a figure which should look a bit more respectable on the TSB flotation prospectus (though, ironically, this is still less than half what UDT earned in its heyday 10 years ago).

The growing band of TSB watchers in the City are wondering, though, about the logic of keeping on Valkyrie and Swan. But McCrickard says there are no plans to sell them off. Valkyrie has already been slimmed down from 35 dealerships and is quite profitable. It also gives *UDT a direct window on to the* car market on which so much of its loan business depends.

UDT treats Swan as a leasing rather than auto business, which gives is some justification within a financial group. Several other bank-owned finance houses like NatWest's Lombard North Central and Barclays' Mercantile Credit have direct interests in car or lorry fleets.

However, unlike these other houses which have been badly hit by the changes in capital allowances in last year's Budget, TSB has not had to make a large *provision for new tax liabilities.* The TSB was, until recently, not a corporate structure and so it could not use a leasing business to shelter earnings from tax as the other banks did. The reduction in capital allowances will, however, put a damper on UDT's *leasing* business as much as everybody else's.

Ironically, UDT probably has more lending expertise than the TSB, which was only allowed to make personal loans in 1977. So it may be able to teach something to its parent which has been deeply pre-occupied with going public.

The huge injection of capital that the TSB group will get from the flotation should also work to UDT's advantage by allowing it to be an aggressive pursuer of new business.

China opts for business by degree

BY CHRISTIAN TYLER

ON AN UNCOMPLETED site near Peking Zoo in the north west of the city the first EEC-sponsored MBA course for Chinese managers got under way this week.

The Training Centre for Economic Cadres, as it is called, is the latest—and in some ways *the most sophisticated*—of China's efforts to get its managers to grips with the free market mechanisms that the country's leaders have let loose on the economy.

The importance attached to the Centre was shown by the dignitaries who turned up for the opening ceremony on a freezing Sunday evening at a nearby hotel. They included the propaganda chief of the Communist Party, Deng Li Qun, the chairman of the State Economic Commission, Lu Dong, and three vice-chairmen.

Managerial authority in China is being gradually removed from the old Communist Party appointees and handed to younger qualified men and women. Many factory directors can *hire their own* senior managers now, surplus labour is being shed (giving the authorities an unemployment headache in some areas), and profit and loss accounting is being introduced. At the same time, the open door policy is, after a false start, letting increasing quantities of sophisticated technology and machinery into antiquated workplaces where Soviet-style work practices can ill absorb them.

The government has its own programme for equipping Socialist businessmen with the *necessary skills.* The China Enterprise Management Association, founded in 1979, is credited with having put 2m people through its short courses since then. But in characteristically Chinese *fashion* the authorities are now attempting, magpie-fashion, to learn the secrets of Western and Japanese business methods.

The U.S. Department of Commerce has sponsored a college in the northern coastal city of Dalian. Here the bemused pupils were exposed to Harvard-style case studies and such arcana as *American consumer* behaviour. The course has recently been modified to give it a more Oriental flavour.

The Japanese are teaching supervisors about quality control and production control in Tianjin, near Beijing. The West Germans are setting up in Shanghai and the Canadians are in Chengdu, capital of Szechuan province.

The EEC programme should not be seen as a rival venture, according to the director of the Beijing Centre, Professor Max Boisot. Rather, it is designed to help the Chinese themselves discover what kind of curriculum they need for the literally millions of managers they will be re-educating over the next ten years.

"... In reply to yours of the 5th inst, due to an industrial interface situation, as of this moment in time we are unable to supply ..."

Boisot, who teaches business policy at the Ecole Superieure de Cómmerce de Paris, said in Beijing this week that there was a difference between the various *business practices* of China's trading partners, but no clear difference in *management methods* as the Chinese had at first assumed.

The EEC venture is therefore giving its students a bit of both. Business practices will be taught at the end of the two-year MBA course, but the bulk of the work will be based on real-life conditions in local Chinese enterprises.

Six factories in the first year, and 12 in the second, have agreed to let teams of half a dozen students come in and analyse their problems. The *State Economic Commission*—the Chinese partner in the venture—had been a bit dubious about this at first. But the factories said they were willing, provided they could get some practical benefit from the exercise.

The China-EEC Management Programme has 35 students starting this week, doubling to *70 for the* next intake. Aged between 25 and 40, they were recruited nationally. They have university degrees or the equivalent (some will have had their education interrupted by the Cultural Revolution) and were put through a written examination *set by the Chinese*, an oral test in English, and an interview.

They have also been put through an intensive six-month English course devised by the Manchester Business School. About half of the graduates will not go back to industry or local government, but will take a further short course to turn them into management trainers themselves. The State Economic Commission plans to deploy them to eight other national centres it is opening across China.

At the same time, the Beijing Centre will be training 10 Chinese teachers who have been attached to it, and who will be the nucleus *of* the all-Chinese faculty that is due to take over eventually.

The students will be awarded a degree "validated" by a European academic council from diverse business schools. *It remains to be seen what* currency the degree will have outside China for those graduates who want to study abroad later in their careers. Recognition had been a tricky point, Boisot says, but he explains that the worth of any business school degree depends in the end on the reputation the school makes for itself.

The project is being funded with 3½m ECUs (about £2m) over five years. That will cover the costs of the 60 visiting European teachers, equipment and so on. The Chinese are paying the native *faculty* members and are providing the building.

The curriculum has been drawn as widely as possible, partly, it seems, to satisfy the government's insistence that China gets the best and most that Europe has to offer. In the first year the students will study marketing, production, accounting, information management, statistics, operations research, organisational behaviour (a high priority, this one), business economics, and management finance. In the second year they have elective themes, including management of the technological environment, international trade and European business practices.

There could be some commercial spin-off from the venture. Private companies have been invited to *become "friends" of* the school by joining an organisation called the Europe-China Association for Management. A number have already become involved, notably the National Westminster Bank and others in Britain and Olivetti of Italy (which is subscribing 15 microcomputers).

The Association is seen as a way of capitalising on the goodwill that the project has engendered, raising the profile of European business in the Chinese capital, and providing a channel for a variety of other exchanges.

Students of the centre may be given six-month visits to companies in Europe: managers may give reciprocal seminars in China. The Beijing Centre will also be in a position to advise on joint venture management in China, or help educate Chinese nationals to run the overseas offices of Western *companies.* At the least, the Centre will accumulate a fund of information on the way Chinese industry actually works, making it a potential magnet for foreign PhD students.

The Chinese authorities have also shown interest in Britain's Open University as a model of how management training might be further promulgated through the vast country.

Pragmatic the Chinese may be, with their distinctive new brand of market socialism. But it should not be assumed that *the open door to management* training will be without its own difficulties. During negotiations with the Europeans, the authorities suggested that the teaching should be compatible with Marxist-Lennist principles fearing, no doubt, that the Beijing Centre might be a corrupting influence on high flying cadres.

However, little mention has been made since of either Marx or Lenin. It will be for the students themselves, as they get their feet under the desk, to discover how intellectually to reconcile capitalist techniques with socialist ideology.

TECHNOLOGY

EDITED BY ALAN CANE

PERSONAL LIGHTING FOR ALL IS THE PROMISE

How lamp makers plan to illuminate the future

BY ALAN CANE

THE CHIEF problem, the lamp industry says, is that lighting does not turn people on. They take it for granted. Nevertheless, within a few years new lamp technology could mean:

- Personalised lighting in offices and factories, as conventional four, six or eight foot fluorescent tubes give way to tiny tubes no bigger than conventional incandescent bulbs but of similar power combined with greater control.
- A wholly new aspect to the front of motor cars as automobile manufacturers adopt discharge tube lighting systems with a slit-like aperture as opposed to the conventional circular or square lamp housings; Thorn EMI has already tried to interest manufacturers in these systems. Philips will be introducing its version commercially this year.
- Every mile of the UK's motorways illuminated at night. The Lighting Industry Federation argues that the UK would recover the costs of lighting the motorways in 20 years on the grounds that each fatality at night costs the country £150,000.

At present 25 per cent of the motorway network is lit. Government policy is neither to light motorways throughout their length nor to light all interchanges.

The Commons Select Committee on transport, chaired by Mr Harry Cowans, was unconvinced by Government arguments and recommended the gradual installation of lighting on existing motorways and its installation as a matter of routine on new motorways.

Technologically, the industry wants to see a general shift from incandescent bulbs to discharge tubes—fluorescent lights of the kind used in factories and offices, low pressure sodium lamps (SOX) which predominate on Britain's motorways, high pressure sodium lamps (SON) which give better colour recognition.

The problem is that incandescent bulbs are cheap and simple; discharge tubes are expensive and complicated to manufacture and need control gear—an electronic starter and "ballast"—electronic circuitry which controls and limits the flow of current through the lamp.

Discharge tubes last at least five times as long as incandescent bulbs and use only a fraction of the electricity but they are large, heavy and expensive. Typically, a Thorn 2D tube costs £6 against 35p for an incandescent lamp. But, Mr Joseph Pollock, commercial director of Thorn EMI, argues the new lamps improve the value of the market, benefiting manufacturers and consumers alike. Only the electricity suppliers miss out on the advantages.

New manufacturing technology is making possible tiny tubes through a folding process—curved for the Thorn EMI 2D straight for Philips: "It's the first time in history you can put a fluorescent tube in your pocket" an executive said of one of this year's new releases.

It is shrinking the control gear by cramming more and more of the starter and ballast components onto silicon chips. Philips has already shrunk all the circuitry for discharge tube ballast into a silicon chip, courtesy of Signetics, its U.S. semiconductor subsidiary: "Now microelectronics is cheap enough for the lighting industry to use," a Philips executive said.

The latest refinement is high frequency fluorescent lighting—conventionally, fluorescent tubes are energised at mains frequency, 50-60 Hertz (cycles a second), which can result in a perceptible flicker.

At 28,000 Hertz, this flicker is negligible while the efficiency of the lamp is increased; losses in the control gear are reduced.

But if the future lies with discharge tubes, incandescent bulbs are set for a long life. As Mr A G Brown, technical sales manager for Philips lighting division in the UK, puts it: "If we had nothing but discharge tubes and an inventor brought us an incandescent bulb—cheap, easy to use, efficient, easy to dispose of—we would make it."

HOW NEW TECHNOLOGY CAN CUT THE COST OF LIGHTING

Lamp	Price	Cost for 5,000 hours
	£ p	£ p
Tungsten		
100-w clear bulb	1.75†	27.25
100-w spot	0.95	30.75
Fluorescent		
40-w tube	2.00 (plus gear)	14.60
Philips PL11	6.00 (plus gear)	9.90
Thorn EMI 2D	6.00 (plus gear)	11.45
Toshiba Neobulb	9.50	12.55

† Cost of five bulbs at 35p each.

Source: Which?

Countering the threat from the East

THREATENED by cheap imports from the East and troubled by the public's reluctance to accept the benefits of new lighting methods, Europe's lamp manufacturers are looking to a combination of political persuasion and technological wizardry to protect their markets.

Bitterly competitive among themselves the major companies are at one in calling for action at national and European Commission level to regulate a flood of incandescent light bulbs from East Europe and the Far East which sell at prices which suggest dumping and whose safety is open to doubt.

Mr Michael Goodwin, UK marketing director for Philips, notes: "They cost less than the price of the raw materials in the UK; some are not even fitted with fuses—that means they could explode."

At the same time, the industry is urging its customers domestic, industrial and public sector—to switch from these traditional lamps to new, energy efficient discharge tubes.

This approach is double edged. In the wake of the oil crises, Europe woke up to the cost of lighting and accepted readily the advice to "Switch it off!" Now, while Government ministers no longer counsel folk to brush their teeth in the dark, public attitudes to cost savings have become entrenched and to to change them is an uphill struggle, the lighting industry has found.

But technology is on its side. The new lamps offer spectacular improvements both in energy efficiency and performance.

What is more, these high cost, high technology products can only be manufactured using sophisticated automated machinery; so far, this seems the preserve of world leaders like Philips, Siemens and Thorn EMI; the East Europeans are simply not in the race.

Incandescent lamps, the humble "light bulb" to be had for 35p from Woolworth, cost little to buy but a lot to run: "If you buy an incandescent bulb, you are simply buying an electricity bill," Professor S.G.A. Begemann of Philips declares. But they are easy to manufacture. "You can buy incandescent bulb making machinery on Friday and be in business turning out lamps by Monday," one senior industry manager said with understandable hyperbole.

They are, however, one of the mainstays of the lighting industry and even giants like Philips, the largest lamp manufacturer in the world, is worried by what it sees as unfair competition from countries like Yugoslavia and Czechoslovakia.

How serious is the threat? Mr Goodwin points out that while tungsten filament light bulbs represent only 20 per cent of European manufacturers' turnover in the domestic and commercial bulb area, it is steady business which supports the industry's effort in research and development: "They are hacking away at one leg of our industrial base."

Mr Louis Schoffelmeer, chief of Philips' lighting division, has called for concerted action against what he sees as dumping to generate Western currency.

In the UK, Mr Joseph Pollock, commercial director of Thorn EMI Lighting warned that these cheap domestic light bulbs were often of low quality and, in some cases, positively dangerous.

The UK Lighting Industry Federation, of which Mr Pollock is president, argues for total reciprocity with its overseas competitors. It wants to see the establishment of a British Standard for electric lamps and the creation of a national "type mark" to guarantee the quality of a British-made lamp.

And it wants imported lamps to carry a test certificate awarded by any of the recognised European test houses.

Behind the LIF's arguments is the knowledge that the UK automobile lamp industry has been decimated by cheap, Far East imports. It is determined the same will not happen with incandescent bulbs.

The U.S., with a well-established and effective bulb-manufacturing industry is largely free from these problems. Its domestic and commercial lighting markets are dominated by General Electric, Westinghouse/Philips and Sylvania GTE and although GE was one of the first companies to develop an energy-efficient lamp, the pressure to develop these high technology products has never been as intense as in Europe. Energy was simply never as expensive, there.

Overseas companies have little chance of competing in the U.S. except by being there. Philips bought the lighting interests of Westinghouse to take second place from Sylvania; Thorn EMI competes only in specialised areas—tungsten halogen bulbs for microfice readers, for example.

The Japanese have yet to make their presence felt although they have the technology and the manufacturing capability to create high technology lamps equal to the best of Philips, Thorn or Siemens.

Mr Schoffelmeer of Philips warned that although Japan was no threat at present in Europe there was no cause for complacency.

BIOTECHNOLOGY

Horse doctors' work could benefit babies

PREMATURE babies could be helped into a vigorous childhood from the results of studies in horse-rearing about to start in Newmarket, Cambridgeshire.

The Cantab Group, a company of biosciences consultants in Cambridge, is collaborating in the project with Travenol, which makes intravenous feeds for infants.

Cantab will administer to premature and sickly foals chemical mixtures supplied by the U.S. intravenous-feeds company, which has a manufacturing base in Thetford.

Besides indicating to horse breeders how to turn weak foals into strapping adults, the research should give doctors insights into the effects of altering the intake of intravenous fluids in babies.

In the study, researchers from Cantab will feed to foals mixtures based on amino acids, dextrose, minerals and fats. The chemicals are administered to the animals either via the jugular vein or by a stomach tube.

The Cantab workers will assess the results of their work by checking factors such as heart rate and respiration.

The foals in the project will come from stud farms in the Newmarket area. Beaufort Cottage Laboratories, a veterinary group in Newmarket, is helping in the project.

For horse breeders, the project could have useful results. Only about half the mares which become pregnant produce healthy offspring—many prematurely-born foals die soon after birth due to lack of knowledge on how to treat the animals.

The Cantab group has only seven full-time staff but can call upon the services of dozens of scientists from hospitals and universities around Britain who work on specific jobs on a part-time basis. The disciplines range over a wide area—pollution anlysis, agriculture nutrition, animal health, family planning, environmental studies as well as human medicine and genetic research.

According to Dr David Frape a nutritionist with Cantab, this way of working provides great flexibility. "It means we can put together a detailed quote for a job in a few days."

Projects undertaken by the group, for which it would be paid anything between £5,000 and £250,000, include studies into the effects of antibiotics in animals and work to assess the safety or nutritional value of drugs or foods consumed by people.

Customers include big food and pharmaceutical companies and overseas governments. Cantab is advising a country in the Middle East on a long-term plan for technology which embraces developments in agriculture and manufacturing industry. Logica the British computer company is collaborating in this study.

The Cambridge group also hopes soon to start a project for the Asian Development Bank in which it would advise on urban and agricultural developments.

Although Cantab is reticent about disclosing its annual turnover, the group says total sales run to "several hundred thousand pounds a year." Sales have increased fourfold in the past 12 months.

PETER MARSH

Computers

Nordic market

THE Scandinavian personal computer market is likely to grow by 240 per cent over the next six years from a value of $328m in 1984 to $1.12 bn by the end of the decade. This is forecast by Intelligent Electronics Europe which has just completed a study of the market.

The marketing consultancy says that all the evidence suggests that the advance which the four Scandinavian countries have made in other technology fields such as telecommunications and banking computerisation will be repeated in the personal computer market.

The study says that the growth in pesronal computers will be fuelled by extensive computer education programs in schools, localised versions of software packages and Scandinavian corporations of all sizes are becoming aware of the benefits of personal computers.

Sweden is the largest market for personal computers accounting for about 38 per cent of total sales. Norway and Denmark have 22 per cent and 21 per cent respectively with Finland having 19 per cent.

The main computer companies selling to Scandinavia are IBM which dominates the market with 36 per cent of sales, followed by two Scandinavian companies Luxor and Ericsson each with less than 10 per cent of sales. With 5 per cent or less of total sales are Apple, Digital Equipment, Regnetcentralen, Nokia, Hewlett Packard, Tiki Data and Apricot.

More details from Intelligent Electronics at 72 Rue de Sevres, 75007 Paris, France.

Education

Interactive training

A RANGE of interactive training and assessment software with full colour graphics has been launched by Compsoft. Called Domino, the software is aimed at the personal computer market for the production of programs for staff training, management presentations and data analysis.

A combination of text and full colour graphics allows the user to produce and update training courses. No previous programming knowledge is assumed.

The package can be used with the IBM range of personal computers, compatible machines such as the Olivetti M24 or the Compaq. More details the company near Guildford on 04868 25925.

Medicine

Scanners

Large magnets for mobile medical scanners have been developed by Oxford Magnet Technology. The company is building the magnets for whole body magnetic resonance imaging for dianosing various ailments. Oxford Magnet Technology has won orders worth $8m and has already supplied six systems. More details from the company on 0865 722768.

EUROPEAN BROADCASTING

French television revolution

Now the battle has really begun

By David Marsh and Paul Betts in Paris

FRANCE is in the throes of a television revolution which could make it Europe's shop-window for new broadcasting technologies over the next few years. But as in most revolutions some of the participants are likely to get hurt.

President Francois Mitterrand's surprise announcement in January paving the way for widespread private over-the-air television next year has led to turmoil. France is already putting into effect an ambitious nationwide cabling programme and is also about to introduce Europe's first direct satellite television service next year.

In announcing the break-up of France's traditional state television monopoly, President Mitterrand appears to have given priority to political expediency over long-term economic and technological considerations. The President's decision—taken against the wishes of some close advisers—was designed to pre-empt the right-wing opposition's efforts to make political capital out of broadcasting liberalisation in the highly charged run-up to the 1986 general elections.

This short-term political objective seems to have been achieved. But M Mitterrand has opened up a major battle between some of the country's most powerful vested interests, including the DGT (the French telecommunications authority) and the CNES (the national space agency), over the choice of resources to be allocated to the proliferation of new media. The liberalisation of television broadcasting has also placed a question mark over several long-term industrial programmes which the socialist government itself has claimed would be prime sources of jobs and technological innovation in the next 20 years:

● It is threatening the DGT's FFr 60bn plan launched with fanfare by M Mitterrand in 1982 to wire up France over the next 15 years with high-performance optical fibres to provide a multitude of television and telecommunications services. The economic impact of the plan on France's infrastructure has been compared to the construction of the country's motorway system and its fledgling high-speed train network. A confidential government background paper circulating in recent days argues that "cable and over the air private television are to a large extent mutually exclusive." M Jacques Dondoux, the head of the DGT, has staked high odds on the cable network in spite of a disappointingly slow start to the programme. "It could turn out to be my Vietnam," he remarks.

● The Mitterrand decision has also added further uncertainty to France's plan to start direct television broadcasting from space with the launch of its TDF-1 satellite in 1986. The project, part of a joint Franco-German satellite programme launched at the end of the last decade, has already been the subject of considerable economic and technological controversy. So far FFr 2.8bn has been spent or committed on the satellite programme compared with FFr 2.6bn for the cable project. The prospect of rival local television chains next year has prompted the Compagnie Luxembourgeoise de Telediffusion (CLT), the Luxembourg broadcasting group, to try to renegotiate an accord reached last October under which the Grand Duchy would share in commercialising TDF—1. M Jacques Pomonti, the media expert brought in by M Laurent Fabius, the Socialist Prime Minister, at the end of last year to run TDF—1, admits: "The environment has now completely changed."

● Perhaps the most significant repercussion of broadcasting liberalisation is the prospect of invasion of France's protected communications and advertising sectors by Anglo-American media groups. With the Unisat satellite television project in the UK facing long delays and with West Germany's plans bogged down by political and technical squabbling, France has emerged as the most commercially attractive centre of the European satellite industry. Mr Rupert Murdoch's Sky-Channel, Thorn-EMI and Mr Ted Turner, the American cable TV operator, are among those eyeing the French market with interest.

France over the next few months is likely to allow European and U.S. groups (the latter with a share of about 5 per cent), to take up perhaps one-third of the capital of the company being set up to run TDF-1 which will send signals to much of Western Europe covering 150m people. M Jacques Chirac, the right-wing opposition leader and mayor of Paris, is also negotiating with British networks including the BBC to provide the French capital with one English-speaking cable channel possibly next year.

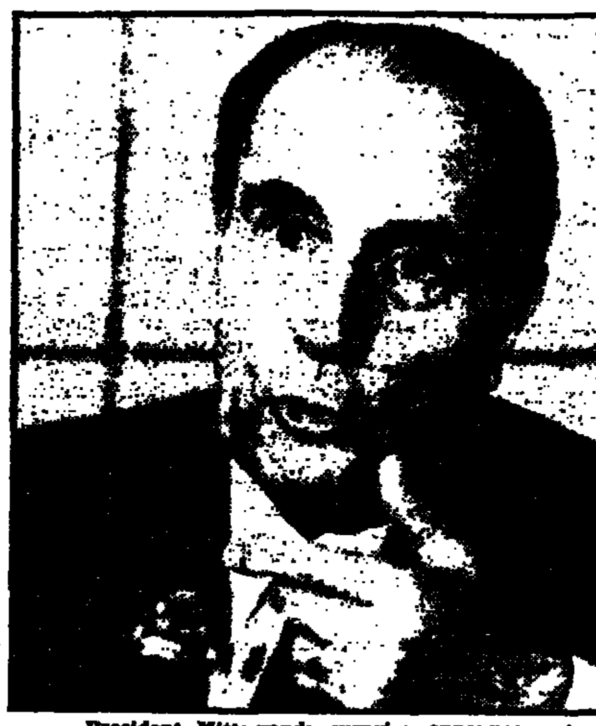
With the advent of satellite transmission, which cannot be confined within national boundaries, the French are being forced to tone down their traditional distaste for commercial television advertising and for foreign programmes. The influence of broadcasting nationalists in the government who have often spoke out against "CocaCola satellites" polluting France with American values and culture is waning fast.

Against the background of considerable agitation and heavy lobbying by media groups, M Fabius has charged a government official to draw up by April a set of recommendations for private television in France. The first tangible victim of the confusion over broadcasting liberalisation has been Canal Plus, Europe's first over-the-air pay television channel, set up at the end of last year.

Canal Plus is 42 per cent owned by state-controlled, Havas, Europe's largest advertising and media group. Havas shares have recently collapsed on the Paris bourse as a result of a sharp fall in Canal Plus FFr 140 a month subscriptions caused by the anticipation of French television watchers of new free services next year. The difficulties of Canal Plus, expected to register a cumulative loss over its 14 months of operation of FFr 550m by 1985, have sparked a well-publicised, if suspect, takeover offer from M Robert Hersant, the right-wing press baron who is also manoeuvring to participate in local private television in association with his regional newspaper network.

President Mitterrand's basic suggestion has been to set up 85 regional private stations which could be coupled with two or three large national networks. Among the roughly 200 applications for private stations, the most powerful bid has come from the Luxembourg-based CLT group, which, through its Radio Television Luxembourg (RTL) offshoot, runs one of France's leading radio networks and also broadcasts television to eastern France.

French media professionals believe that the liberalisation of television broadcasting announced by President Mitterrand will not necessarily lead to a commercial bonanza. "I don't think there will be room for more than one major new commercial network in France, in addition to the three existing state channels and Canal Plus," says M André Rousselet, the dapper chairman of Havas.



President Mitterrand: surprise announcement.

The Canal Plus cash crisis has forced M Rousselet to write to M Pierre Beregovoy, the Finance Minister, asking for a large slice of state assistance out of a total financing need of FFr 500m to cover this year's heavy losses. But M Rousselet believes the Havas stake in CLT should give him indirect participation in the local private TV stations. And, although many claim he is impossibly over optimistic, he says he is confident of boosting subscribers from the current 265,000 to 670,000 at the end of the year in order to break even in 1986.

As for M Hersant's offer, the Havas chairman points out that newspapers' already faltering advertising revenues are likely to suffer most from the advent of private television. He suggests with an undertone of sarcasm that M Hersant is following a wise course in seeking to diversify into television.

The fundamental question for the industry is how much more advertising revenues can be squeezed out for the new commercial chains. M Antoine de Tarlé, assistant managing director of the first national state television channel TF-1, calculates that about FFr 1.5bn in additional annual advertising revenues are available for the new networks, of which about FFr 500m is likely to be pre-empted by Canal Plus as it builds up audience.

At the same time, the three state channels (Antenne-2, the regional FR-3 network as well as TF-1 which are funded by licence fees and advertising in roughly equal proportions) have already responded to emerging competition by stepping up investment.

A further factor driving the current ratings war between the three state channels is the possibility that one or two of them could be privatised next year, especially if the Right gains a parliamentary majority in the general elections in 1986.

Faced with this competitive environment, the groups running France's new television stations will be forced to give priority to programme quality and secure strong financial backing. These conditions could relegate many of the concerns now jostling for a place — including most of the country's principal radio stations, regional newspapers and publishing and publicity groups — to also-ran status. According to M de Tarlé, the cost of starting one private regional station averages FFr 180m, while many local newspaper groups are currently talking of investing only between FFr 20m and FFr 30m in a station. As for producing high-quality television fiction, Luxembourg's CLT puts the cost at around FFr 3m an hour, although the average for the three French national chains has been in the past around FFr 1.3m an hour.

Watching the confusion with some anxiety is a bevy of some of Europe's largest electronics companies led by Thomson and Philips (as well as Robert Bosch, Standard Electrik Lorenz, and Thorn-EMI) which are preparing for the new television equipment markets. M Henri Anus of the French sound and video equipment manufacturers' association remarks that, in the swirling debate over possible options, "industrialists have difficulty in choosing their niche."

With the launch of the TDF-1 satellite only 16 months away, time is now running short for production of the necessary electronics to fit into adaptors for the household antennae which will receive satellite signals. The message from the consumer electronics industry, which is hoping the French experience will act eventually as a springboard for exports, is that the politicians and the engineers should end the wrangling over technology and finally put their minds to the content of the new networks. As M Anus put it: "The ball is in the court of the programming companies. Ultimately everything will depend on quality to attract the viewers."

FT COMMERCIAL LAW REPORTS

Form mix-up takes case to English court

THE LEILA

Queen's Bench Division (Commercial Court): Mr Justice Mustill: February 22 1985

ESTOPPEL by "convention" arises to preclude a litigant from denying certain facts if he and the other party contracted on the basis of a shared mistake and if it would be unfair to allow him to assert the contrary of what both once believed to be true; and it is immaterial that the mistake was initiated by the party seeking to raise the estoppel or that no representation as to the assumed facts was made by the other side.

Mr Justice Mustill so held when refusing an application by Leila Maritime Co Ltd and another, carriers of cargo on the Leila, to stay an action brought against them by the Government of Swaziland Central Transport Administration Co and others, the shippers.

Article III 6 of the Hague-Visby Rules provides: ". . . . the ship shall . . . be discharged from all liability whatsoever in respect of the goods, unless suit is brought within one year of their delivery . . ."

HIS LORDSHIP said that 20 vehicles were to be shipped from Bremen to Durban. The shippers' forwarding agents at Bremen did considerable business with the carriers' local agents, and found it convenient to buy from them a stock of blank bills of lading.

The bills were produced in two varieties, identical save that one was marked "original" and the other "copy." On the reverse of the forms there were printed 37 clauses occupying more than 300 lines of fine print.

Clause 1 incorporated the Hague Visby Rules. Clause 2 stipulated that the High Court in London should have xxclusive jurisdiction to hear any action brought under the bill of lading.

On some date before the voyage began, the carriers decided to change clause 2. In its new version it provided that all disputes should be referred to arbitration in London, "or such other place as the carrier in his sole discretion shall designate."

The shippers' agents exhausted their stocks of original forms and replenished them after the change in clause 2, but before they needed to purchase more blank copy forms.

Thus, without realising it, they came to be in possession at the same time of blank originals which stipulated for arbitration at a venue chosen by the carrier, and copies which gave exclusive jurisdiction to the English court.

When they came to complete the bills of lading for shipment of the vehicles to Durban and to present them for signature to the carriers' agents, they used the new form for the originals and the old form for the copies.

So, when the goods were shipped, and at all times until delivery of the cargo against shipping documents, the new form with its arbitration clause, governed the relationship between shippers and carriers.

When the vehicles arrived in South Africa the shippers alleged that they had been damaged in transit. They entrusted their claim against the carriers to their lawyer in Bremen, Dr Schackow.

He entered into correspondence with Brons, local agents of the ship's insurers, and sent them various documents, including a copy of the "copy" bill of lading containing the London jurisdiction clause.

One month before the time limit under the Hague-Visby Rules was due to expire Dr Shackow warned Brons that he would issue proceedings in London. Brons granted an extension of time "on condition that the jurisdiction of the court named in the bill of lading is maintained." Further extensions of time were later granted.

Until well after the limitation period had expired, negotiations were conducted on both sides on the mistaken assumption that the matter was subject to the exclusive jurisdiction of the High Court in London.

In the course of a debate about whether liability was limited to £100 per vehicle, Dr Shackow asserted that "the bill of lading provides for English law and English jurisdiction." Brons agreed.

The exchanges led nowhere, and on September 6 1983 the shippers' solicitors issued a writ in the High Court in London.

In discussing a proposed guarantee to be used as security for the claim, the carriers' London solicitors asked the shippers' solicitors to look at the original bill of lading to establish whether jurisdiction should be arbitration or English court. They said that if it was arbitration, the carriers would choose arbitration in Hamburg.

The shippers' solicitors confirmed that "our" bill of lading provided for the jurisdiction of the English court. Satisfied by that assurance, the carriers' solicitors procured a guarantee for "such sums as may be adjudged by the English High Court." The shippers thereupon served the writ.

Eventually, after further correspondence, both sides recognised that the original and the copy were in different forms. An impasse was reached, and the carriers brought the present application for a stay, on the ground that the dispute should be referred to arbitration.

They did not contend that they had suffered prejudice, but sought stand on their contractual rights solely because that would enable them to argue that any proceedings before arbitrators in Hamburg would be barred by lapse of time.

Mrs Blackburn for the shippers argued that the carriers could not assert an agreement to arbitrate because, *inter alia*, there was an estoppel by convention which precluded both parties from denying the jurisdiction of the English court.

To establish estoppel by convention the shippers must at least point to a shared misapprehension by the parties as to the real terms upon which the goods were to be carried.

It was clear that Dr Schackow and Brons each believed proceedings would have to be brought in London. The carriers maintained, however, that that created no estoppel. They said the mistake arose from the shippers' side—the shippers' lawyer had supplied the copy to Brons, and there was no representation by or on behalf of the carriers that the old terms were applicable.

Spencer, Bowers and Turner, Estoppel by Representation Ed 3, page 157 said that estoppel by convention was founded "not on a representation . . . but on an agreed statement of facts the truth of which has been assumed by the convention of the parties, as the basis of a transaction on which they are about to enter."

In *Taylor's Fashions [1981] 1 All ER 897*, Mr Justice Oliver said that the approach was whether, in particular individual circumstances, "it would be unconscionable for a party to be permitted to deny that which, knowingly or unknowingly, he has allowed or encouraged another to assume to his detriment."

In *Amalgamated Property [1982] 1 QB 84* Mr Justice Robert Goff held that plaintiffs were estoppel from asserting that a guarantee did not extend to a bank loan, though the source of their error lay in the defendant bank itself. On appeal the court agreed with him that the origin of the mistake within the bank's own organisation did not preclude it from raising the estoppel.

The authorities lent no support to the argument that the party who asserted an estoppel by convention must show that the other party had made some representation or had at least been the source of the mistake. Indeed the whole tenor of the judgments in *Amalgamated Property* was to the effect that the estoppel was not so confined.

The test was whether it would be unconscionable to allow one party to assert the contrary of what he and his oppenent had once assumed to be true.

In the present case there were no independent mistakes by the parties. Bron's mistake stemmed from the fact that it was supplied with the wrong documents by Dr Schackow. That made an important distinction from *Amalgamated Property*. Never-the-less that principle could properly be applied.

Neither side took the trouble to supply their representatives with original documents. The only reason why Dr Schackow innocently misled Brons rather than vice versa was that it was he who was on the scene first. It all stemmed from the carlessness of the local agents in allowing two sets of documents to be in use at the same time.

Given that, through a series of mistakes, the parties found themselves discussing an extension of time for litigation rather than arbitration; assuming that if arbitration had been on the table from the start there would have been no hesitation on the carriers' part in agreeing the necessary extension; and conceding that the carriers' only motive in relying on the true terms of the contract was to found an argument that, as the result of a shared mistake, the shippers had lost a claim to which no defence (save as to quantum) had been suggested—would it be unconscionable to allow the carriers to insist on those terms?

If the matter were considered that way, the conclusion was that the carriers' standpoint was not sound in law and that it would not, in all the circumstances, be conscionable to allow them to insist on the arbitration clause in preference to the English jurisdiction clause.

For those reasons, the carriers were estopped from relying on the arbitration clause, and their application for a stay should be dismissed.

For the shippers: Elizabeth Blackburn (Richard Butler and Company).

For the carriers: Victor Lyon (Lloyd Denby Neal).

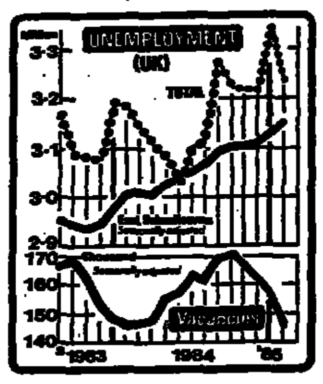
By Rachel Davies
Barrister

Jobless rate still rising by over 10,000 a month

BY PHILIP STEPHENS

THE UNDERLYING trend of Britain's unemployment total remained relentlessly upwards last month, with the seasonally adjusted figure rising by 19,700 to a new record of 3.148m.

The Department of Employment said yesterday that the unadjusted total, which includes school-leavers, fell by 17,200 to 3.323m during the month, but that was well below the normal seasonal drop at this time of year.



The increase in the adjusted total came after a similar rise in January, which dashed hopes that the unemployment rate had begun to level out towards the end of last year.

It was acknowledged in Whitehall as confirmation that despite the economic recovery the number of people out of work is still rising by a monthly average of between 10,000 and 15,000.

Officials said the above-average figure in February may have been the result of the particularly bad weather in southern England, where the bulk of the rise was concentrated.

Over the past six months the average rise has been 12,000 a month, compared with 11,000 a month in the previous six-month period. Ministers have been placing increasing emphasis on the fact that despite the rising jobless total, the number of people in work has been growing quite rapidly over the past year.

Mr Tom King, Employment Secretary, said yesterday that the economic recovery had produced 340,000 new jobs over the year to last September, and that he hoped the end of the miners' strike would further enhance jobs prospects.

The problem for the Government is that the new jobs are not keeping up with the growth of the labour force, particularly as many are being taken by married women who are not officially registered as unemployed.

BSR cuts production

FINANCIAL TIMES REPORTER

BSR International is to stop making record changers – the company's first product which was its core business until the early 1980s.

The move marks the end of mass production of record players in Britain. At one time, two British companies, BSR and Garrard, held about 80 per cent of available world markets.

Mr Bill Wyllie, chairman of BSR, said yesterday the decision marked a sad end to the company's main business.

Production of record changers at BSR's factory at Stourbridge, West Midlands, is to be phased out and about 500 remaining jobs are at risk. BSR hopes to employ a number of those people on other products.

At one time the company produced 250,000 record players a week and made practically every component itself. BSR sold over 70 per cent of its production to the U.S. and gained a reputation for its ability to sell record changers to the Japanese.

BSR, which announced pre-tax profits of £26.8m on a turnover of £402.7m yesterday, is now predominantly an electronics group based in the Far East. The company used to be a substantial UK employer with over 18,000 people in the UK. But in 1980, after it ran into problems, it closed three factories in Scotland. It has greatly reduced its employees around the Birmingham area where it was once based.

Pit union decides overtime ban stays

By Our Labour Staff

LEADERS of the National Union of Mineworkers (NUM) decided yesterday to continue the union's ban on overtime despite the end of the year-old strike this week.

The overtime ban, which predates the strike, was called after the union's rejection of a 5.2 per cent pay offer by the National Coal Board (NCB). The board warned yesterday that it would not discuss any "conciliation issues" – such as an amnesty for sacked miners – while the ban remained in force.

The union's 26-man national executive, meeting at the NUM headquarters in Sheffield, Yorkshire, reaffirmed its determination to continue the fight against pit closures and job losses and to have the miners sacked during the dispute – over 750 – reinstated.

The executive also decided that it would not ask the High Court to free its assets, which were sequestrated by the court after the NUM had failed to pay a £200,000 fine imposed for contempt of court. The fine has been paid out of the seized assets but the union must purge its contempt before the assets will be released.

Mr Arthur Scargill, president of the NUM, said that union activists were urged to "hold the line" until the next general election (due by 1988) returned what he hoped would be a Labour government.

Mr Scargill confirmed that he would start a campaign trip among the coalfields this weekend.

● The British Steel Corporation (BSC), once one of the main targets of the miners' strike, has emerged from the fray in much better shape than its directors expected, Ian Rodger writes.

It has lost none of its customers, it has managed to increase output and it has found new economical ways of transporting raw materials. In particular, BSC is in no hurry to start moving its coal by rail again. It will expect British Rail to match the lower rates it is getting from road hauliers.

The corporation's first priority is to resume discussions with the Government on how to bring down its capacity in line with its long-term demand expectations.

Politics Today, Page 19

JAPANESE COMPANY TO OPEN PRODUCTION PLANT IN WALES

Hitachi surprises VCR industry

BY JASON CRISP

HITACHI'S decision, announced yesterday, to make video cassette recorders in the UK will bring the total number of VCR plants in Europe to over 20.

This is in sharp contrast to the U.S., where there is now a much bigger market, and yet there is no local production either by Japanese or local companies.

Most of the leading Japanese video companies have at least one plant in Europe assembling VCRs. Production volumes are usually small and limited to simple assembly. Such operations are not thought to make money.

Hitachi's move to set up in South Wales and expand in West Germany has caused some surprise in the industry as it comes at a time when the European market for videos is very flat.

The widely-held view in the industry is that the Japanese plants have been set up to reduce European complaints about the imbalance of trade and to provide a base if protectionism increases. But officials at Hitachi stressed that increasing its European capacity was not a "showcase to display our goodwill to the EEC" but was based on sound business judgment in assessing European demand.

Unlike the U.S. there has been very strong pressure in Europe to limit the tremendous success of the Japanese consumer electronics industry, particularly in VCRs. Most of that pressure has come from Philips, the Dutch electricals group and the second largest consumer electronics supplier in the world.

Philips originally developed its own VCR system (V2000) which was incompatible with either of the two Japanese-developed formats (VHS and Beta). As it became clear the Japanese formats were more successful and imports were soaring, the European companies backing V2000 – mainly Philips itself and Grundig – sought protection through the EEC.

Two years ago the Commission negotiated a voluntary import agreement with Japan's Ministry of International Trade and Industry (MITI) which limited the number of VCRs to be shipped to the Community and set a floor price based on European production costs.

Last December the EEC and MITI agreed on restrictions for the third year running. Japanese companies are limited to export no more than 2.25m finished VCRs and 1.6m kits.

Although the permitted exports were the lowest yet, Philips complained that the limit had been set too high. Philips expects the EEC market will only be 5m units this year, not 6m as the Japanese have forecast.

Mackintosh Consultants support the Philips view and predict an EEC market of 4.9m units and 6m for all of Europe in 1985.

The previous very rapid growth in the European market disappeared last year and provisional figures indicate that it may have fallen. The UK, which had been by far the largest and fastest growing market, fell from 2.1m VCRs in 1983 to about 1.6m last year. This was not made up by a corresponding growth in other countries. West Germany is thought to have grown from 1.45m to about 1.6m.

While the strength of the yen against European currencies clearly favours local producers, Philips is also keen to see the duties on imported VCRs increased from 8 per cent to 14–19 per cent because of the weak market.

A year ago Philips and Grundig acknowledged that the V2000 format was not going to succeed and took a licence from the Japanese group Matsushita to make videos using the VHS format. Initially it sold machines imported from its Japanese rivals. Philips says it is now making the VHS machines in Vienna and Krefeld in West Germany.

Philips still sells the V2000 in some European markets such as the Netherlands and West Germany, but has dropped it in the UK.

Philips has a capacity to produce about 1m VCRs a year, although it will not say how many it is actually producing. The second largest manufacturer of VCRs in Europe is J2T, a joint venture between Victor Company of Japan (JVC), Britain's Thorn EMI and Telefunken, the West German consumer electronics group owned by Thomson of France.

J2T is making about 600,000 VCRs a year in Berlin and Newhaven, south England. The joint-venture has applied to the EEC for a certificate of local origin as it says over 45 per cent of its content is locally sourced.

Strike 'argued case for nuclear reactor'

BY ANDREW GOWERS

SIR WALTER MARSHALL, chairman of the Central Electricity Generating Board (CEGB), suggested yesterday that the coal strike was a trump card in his campaign for an expansion of Britain's nuclear programme, and that the case for the board's proposed Sizewell B pressurised water reactor (PWR) was now "stronger than ever."

Speaking on the final day of the two-year Sizewell inquiry – the longest public inquiry held in Britain – Sir Walter said that the mineworkers had put the the case for the PWR "much more dramatically" than the CEGB itself could have done.

The CEGB, which in normal times was dependent on coal to produce more than 80 per cent of its electricity output, had always argued that it needed to diversify its fuel supply. "If nothing else happens, we'll be more dependent on coal by the end of the century. The nature of the dispute that we have had over the last year has illustrated that (case) beautifully," he said.

He said the board would be evaluating the effects of the coal strike over the next six months, and would then be in a position to make choices between coal and nuclear power.

Opponents of the Sizewell plan, however, who staged a small demonstration as the inquiry wound up yesterday, maintained that the board had failed to sustain its arguments in favour of the PWR, either on safety, economic or environmental grounds. They claimed that the inquiry had been unfair since the board had been able to deploy much greater resources than they could mobilise.

Background analysis, Page 18

Earnings on foreign investments up 36%

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S NET overseas earnings on foreign investments rose by 36 per cent last year to £2.3bn, according to official figures out yesterday.

That largely reflected the rise of the dollar, which pushed up the value of investments in the U.S. when measured in sterling terms.

It also reflects the steady build-up of overseas investments in the last four years. Income from overseas portfolio investment in 1984 was £3.6bn, more than twice the figure for 1982.

The figures also show a sharp increase last year in UK private investment overseas from £10.5bn in 1983 to £15.2bn, reflecting a large increase in UK banks' portfolio investment overseas from £2.5bn in 1983 to £7bn last year. Overseas investment by financial and other institutions fell, however, from £3.6bn in 1983 to £1.5bn last year.

The banks' rise in investment represented a shift from previous direct lending overseas to a policy of buying marketable securities, chiefly floating-rate paper, of a more liquid character. That was broadly matched by an increase in net foreign currency borrowings by UK banks.

Overall, the figures show a net outflow of capital from the UK of £3.9bn last year, a rise of 20 per cent compared with the figure for 1983.

The figures, from the Central Statistical Office, show that the UK current account of the balance of payments was roughly in balance last year in comparison with a surplus of £2.5bn in 1983. The deterioration mainly reflects the impact of the miners' strike through increased oil imports and reduced coal exports.

Surrogate mother agencies will be outlawed

THE GOVERNMENT is to introduce legal measures to outlaw commercial surrogate motherhood agencies, Mr Norman Fowler, the Social Services Secretary, said yesterday.

A parliamentary Bill, which should be law by the summer, comes after widespread publicity given to the case of Mrs Kim Cotton, a London surrogate mother whose daughter was passed on to a U.S. couple.

The Government believes a number of similar births are in prospect and is determined to legislate quickly to keep the number as low as possible.

The Bill will prohibit commercial agencies from recruiting potential mothers and from advertising or facilitating surrogacy arrangements. It will not, however, prevent freelance surrogate arrangements by women acting as individuals on their own behalf.

Mr Fowler acknowledged that the Bill fell short of recommendations of a committee last July which called for a complete ban on surrogacy.

□ TRANSATLANTIC air travel between North America and Europe last year rose by 12.6 per cent to over 22.14m passengers, stimulated by the strength of the dollar which encouraged Americans to travel to Europe.

Figures issued by the International Air Transport Association show that air cargo also grew strongly, by 19.6 per cent, to over 1.14m tonnes. Mail increased by 8.8 per cent to nearly 86,500 tonnes.

□ ROLLS-ROYCE is spending several million pounds to improve the high-thrust versions of its RB211-524 engine, used in the Boeing 747 aircraft.

Two new versions of the engine are being developed – the 524-D4C and D4D, which will increase the takeoff thrust of the engine.

□ BRITISH Caledonian, the independent airline, is applying to the Civil Aviation Authority to lift restrictions on its share of flights between London and Paris, Europe's busiest route.

BCal has 13 per cent of the traffic, British Airways 37 per cent and Air France 50 per cent.

FINANCIAL TIMES SURVEY

Friday March 8 1985

Ticino

Picturesque poverty has been replaced by a complex modern economy in this once-remote Swiss canton, where an unemployment rate of 2.5 per cent is considered high.

More than a pretty face

BY JOHN WICKS

OVER A *few decades, the Swiss* canton of Ticino has developed from a poor no-man's land into a *complex modern* economy. To the outsider, the region is known for its tourist charm; *but it is no longer just a pretty* face.

While tourism *is an impor*tant business, Ticino has acquired a solid industrial base *as well. It has also* become an important part of the Swiss financial sector, with assets of *at least SwFr 30bn* and a portable SwFr 60 to 70bn of managed funds.

The canton has faced a combination of natural disadvantages. Apart from having virtually no mineral resources and not much decent farming land, it was for centuries an isolated subject region of a low-income country.

Not until 1803 did the territory become an autonomous canton within the Swiss Confederation, but it was still cut off from mainstream developments by the Alps and the language; apart from the southern *part of* Canton Grisons, Ticino *is* the only region *of* Switzerland with *Italian as a mother tongue.*

Culturally, the canton was much closer to the neighbouring areas of Lombardy. Here, it was hindered by the political frontier from taking part in the economic blossoming of northern Italy. The 19th century brought Ticino not the Industrial Revolution but emigration to Italy, North and South America, Australia—and over the mountains to other parts of Switzerland.

The opening of the Gotthard railway *tunnel in 1882 did* a great deal to put the canton on the map, but the real boom was much more recent. As recently as 1950, there were *only* some 175,000 inhabitants and almost 20 per cent of the labour force worked on the land. Since then, the population has jumped to an estimated 275,000, with fewer than 3 per cent of employees *in* agriculture.

Apart from a modest growth in the local community, the post-war period saw a big immigration into the canton. The *days when Ticinesi went to be* sweeps in Italy or vineyard workers in California are long past.

By the end of 1983 there were nearly 65,000 foreigners —more than 82 per cent of them Italians living in the Ticino—excluding nearly 30,000 Italians who cross the frontier every day to work there.

This reflects the upswing in the economy. Today, the tourist sector is booking nearly 7m overnight occupancies per year, while a building sector and an industrial base of almost 500 factories has been created.

With the exception of banking, the past couple of years have seen a slowdown in the Ticinese economy. Tourism declined by 4 per cent in 1983 and will have shown a further drop last year. The reason is slackening interest by the Swiss, who account for half the visits, and by the West Germans. They have suffered from unemployment and strikes and a weaker Deutsche-mark.

Sluggish

Allied to this has been a deceleration in the sale of property to foreigners, partly due to stricter federal regulations and partly to weak economies abroad—particularly in Germany.

This is, however, not entirely unwelcome since the canton had become one of the classic cases of what Swiss call the "sell-out." Between 1961 and 1983, *purchases* by foreigners amounted to SwFr 2.4bn.

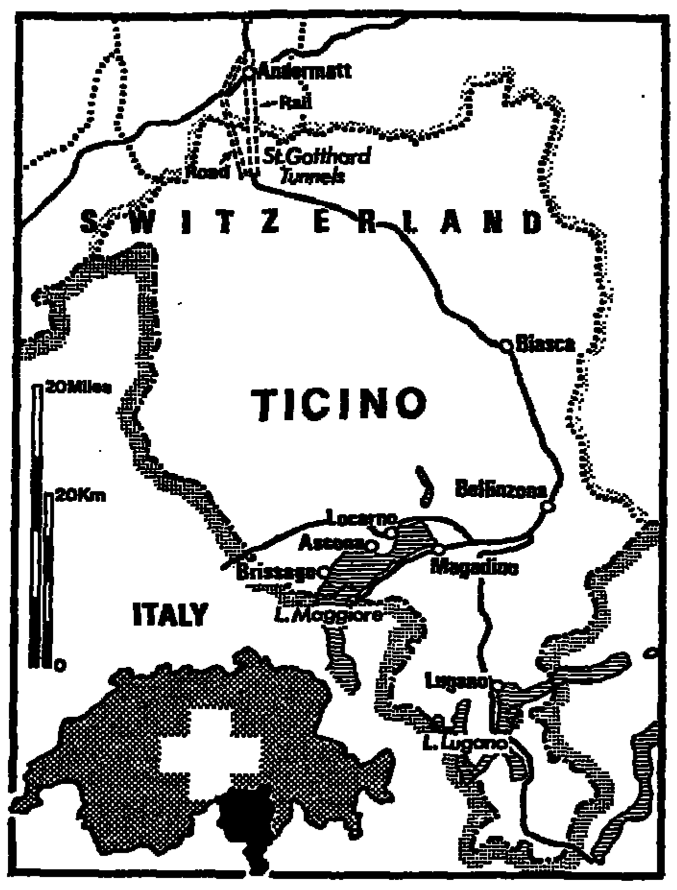
Industrial output has also suffered from sluggish demand on home and foreign markets, *while the construction bonanza* of the mid-70s is long past. Much of the energy has gone out of the canton's economic miracle, leading to an unemployment rate of about 2.5 per cent—high by Swiss standards.

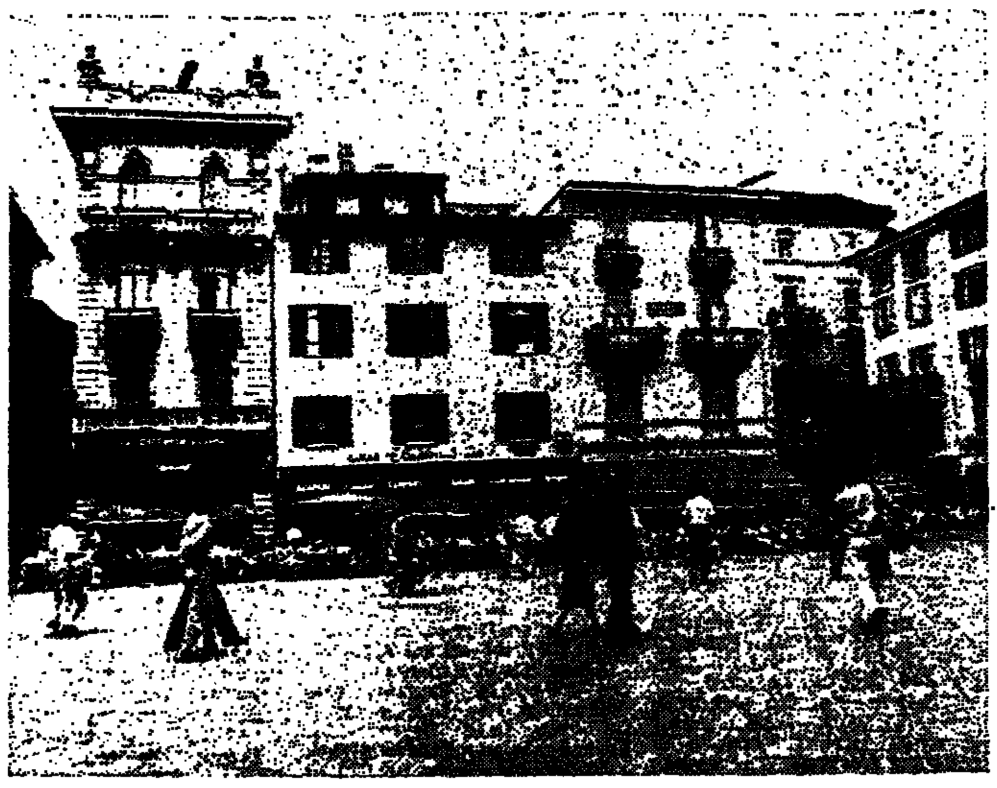
There are signs of improvement, though. For the first time in three years, total employment showed a slight increase in the third quarter of 1984, while there has been a marked decline in short-time working.

Both the cantonal Government in Bellinzona and the banks are trying to boost the economy, especially outside the predominant service industries. Businessmen claim the Government has become more business-minded. For instance, it has allowed a capital-gains tax to fall out of use.

The canton is also trying to *counter internal structural* problems, such as the tendency of mountain-dwellers to follow jobs into the lowlands area.

About 80 per cent of the population and 90 per cent of workplaces are now concentrated *on less than 15 per cent of* the territory in a narrow strip along the banks of the Ticino river and the Maggiore and Lugano lakes. Many upland villages, particularly in the Sopraceneri region of the north, are dying or dead.





Controversy surrounds plans to make Lugano into an even more important centre in the canton

Development

The cantonal authorities are keen on promoting the weak economy of the highland areas before they turn into what one leading politician has termed "nothing more than national parks." This is not easy, since many are isolated, farming is marginal, there is little industry and winter sports account for only some 14 per cent of total Ticinese jobs.

However, some aid is coming from the federal Government's investment support for mountain areas, and the Sopraceneri should benefit from the completion of the motorway through the Valle Leventina, south of the Gotthard road tunnel.

There is a heated discussion on a development proposal for the main lowland centres. In mid-1984 the Bellinzona cantonal government opened public debate on a plan which would make Lugano into a "cantonal pole" or "the apex of a Ticinese pyramid." This has been greeted with indignation by other towns, who feel Lugano is important enough.

An alternative solution is seen as a multi-centre evolution. Lugano could continue as the canton's main all-rounder with simultaneous growth of Locarno for tourism and services. Chiasso in transportation and services, Mendrisio for industry, Bellinzona as the capital and cultural centre and Biasca as a regional centre in the Sopraceneri.

The relationship of Ticino within Switzerland has improved substantially because of better transport links. The Gotthard motorway tunnel, which opened in 1980, made travel from northern Switzerland as easy as it had been from northern Italy. Crossair has also given Ticino its first regular air services.

The improvement in accessibility has removed a great deal of the "outsider" status from which Ticino has always suffered, as well as boosting the economy.

Using the St Gotthard or San Bernardino motorways, travellers from Zurich or Basle can now reach Lago Maggiore in about the same time it takes them to get to Lake Geneva.

The language barrier remains, of course. Only about 4.5 per cent of Swiss use Italian as their mother tongue, so the Ticino is in a small minority. This is heightened by moves by German-Swiss and other non-Italian speakers to live or set up businesses in *the canton.*

Minority

By 1980, only about 84 per cent of the population used Italian as a mother tongue. In some towns, such as the "German" resort Ascona, the share is not much more than half.

About one-half of the Ticinese labour force consists of foreigners, first and foremost Italians. Local dialects are not enjoying the same popularity as those of German-speaking Switzerland—and in any case are not far removed from those of Lombardy.

The minority position has brought advantages in federally-minded Switzerland, among them a separate television service. There has been resentment, however, at the strength of German in the business world and the considerable number of German-speaking tourists, holiday-home owners and retirees. Between 1960 and 1982 it is estimated that 10 per cent of the canton's property, in terms of value, was sold to non-Ticinese.

Also, for want of a University in trans-Alpine Switzerland, students generally go north to study, often staying there afterwards.

Resentments seem to be dying, however, as Ticino is approaching the high average Swiss prosperity, and because brakes have been applied, to the "sell-out" of property. There are also plans to set up some kind of university establishment.

Ticino 2

Anthony McDermott considers problems of hotel, conference, student and traffic capacities, plus property sales to foreigners

TOURISM

Winters of discontent but glorious summer

PALM TREES laden with snow around the Lago di Lugano earlier this year symbolised the contrasting seasons which have proved a weakness for Ticino's tourist industry.

Given that it was the severest winter in memory, the problem was still illustrated by the fact that Camione, the Italian enclave with the nearest casino, was closed — as was the smugglers' museum.

The area's charm is concentrated on its near-tropical summer climate. The long-term strategy is to overcome this uneven flow of income — amounting to about SwFr 1bn annually by creating year-round business, possible with a new hotel.

These are not the only pressures, however. Like the rest of Switzerland, the region is suffering from world recession, and tourist figures slipped in 1984, with nights in hotels down to 3.15m from 3.3m the previous year.

Ticino does not, broadly, lack attractions. The canton slopes southwards from the heights of St Gotthard to the shores of the Maggiore and Lugano lakes, the scenery changing from alpine to suptropical mediterranean.

Lugano is known as the Queen of Ceresio (the Italian name of the lake). Locarno, also on a lake, is less townlike and more leisurely and informal. Ascona has an extensive promenade waterside life, while at Bellinzona, the crossroads of the canton, there are three castles — *Castello Grande, Montebello* and Sasso Corbaro.

After Valais, Grisons and Bern, Ticino has the largest number of tourist beds in Switzerland once hotel spas, camping sites and hostels are included.

Raw statistics show that the canton possesses 300 resorts, 79 mountains, eight passes, 23 valleys, 13 rivers and 12 lakes. Lugano is the heart of the attractions, with 1.08m tourist nights spent there in hotels last year (1.2m in 1983).

Swiss visitors are in the majority, providing an almost unchanging 1.7m tourist nights in Ticino over the past two years. West Germans are next in importance, taking 750,000 nights in 1984. This was about 8 per cent less than the previous year and considerably down from the peak years of 1980-81, when they topped 1m nights.

About 150,000 nights a year are taken by Italians, who frequently use Lugano as a spill-over from Milan. The French take about 50,000 nights.

Of the remaining 600,000 or so nights in hotels, the most notable trend has been an increase in the number of U.S. visitors. The nights they account for rose from 99,436 in 1983 to 131,265 last year.

Hotel occupancy in Ticino has fallen from 41.5 per cent in 1983 to 40.5 per cent last year. This does not apply to the two largest hotels in Lugano—the Splendide Royal and the Eden. The Splendide recorded a rise of 9.3 per cent in tourist nights over two years from 39,745 to 43,458, and the Eden a 26.7 per cent increase from 33,459 to 42,404. Each averaged about 58 per cent occupancy rates.

Hotels are the backbone of the tourist industry, even though they provide only 23 per cent of tourist nights, according to Mr Marco Solari, the director of Ticini Tourism. When spas, camps, and hostels are taken into account, the number of nights rises to about 9m. There are 800 hotels with about *8,000 beds, plus 50,000* other beds available in holiday housing, flats, and caravan sites.

About 11,000 people are directly employed in the tourist sector, and another 68,000 (55 per cent of the working population) are indirectly involved through services.

Ticino has a higher percentage of facilities outside first-class hotel status than elsewhere in Switzerland. Mr Solari is critical of the lack of investment at the secondary level of hotels.

He also wants another large hotel of between 400 and 600 beds in the region. This would help the conference centre, which has suffered from a lack of central accommodation.

During the past 10 years SwFr 84m has been spent on improving the top hotels, but considerably less has gone on the 47 in the middle and lower category. This is where the Ticino tourist industry is weakest.

The cantonal authorities will have to face the fact that a rate of 40 per cent occupation for hotels is low—even if at peak season it is much higher. Mr Solari points out that the main four and five-star hotels in Ascona and Locarno are closed between November and March.

A large new hotel would make tourism a year-round industry, he says, making Ticino less of a transit area and even*ing the balance with other* accommodation.

In the long term, any sustained upturn in business will depend on the world economy improving, bringing back the lost visitors from countries like Germany and Italy.

Two faces of Ticino: the futuristic new headquarters of Overland Trust Bank in Lugano (above) and a traditional stone and timber mountain farmstead

TRANSPORT

Pressure from passing trade

TICINO HAS become a main corridor for north-south European movement and is threatened with being overwhelmed by traffic unless new roads and tunnels are constructed.

"The road and rail system has brought Ticino out of the middle ages. Industry, commerce, tourism and services have flourished, but it now runs the risk of becoming a transit canton," *said a transport expert.*

From the first years of independence, the canton was aware of the dangers of isolation. Heavy financial sacrifices were made to open the passes, but it was clear that they would remain closed during the long winter months.

A turning point came in 1882 with the opening of the St Gotthard railway tunnel. This made it possible to maintain contact with the rest of the country. The opening of the road tunnel almost a century later has carried this development several steps further.

Cut off

About 80 per cent of traffic passes through the St Gotthard, and 60 per cent leaves again through Chiasso. A study by the University of Fribourg has shown that the volume of trade passing through the Swiss Alpine region was 14.2m tonnes in 1970. This rose to 15m tonnes by rail and 0.8m tonnes by road and 1.7m tonnes respectively by 1981.

Chiasso has become an important international centre and at least 40 international trading and transport companies have offices there. In 1983, about 735 goods wagons were passing through daily (down from a peak of 1,040 in 1979) carrying 6.2m tonnes (8.1m tonnes in 1980).

Ticino is still somewhat cut off from the rest of Switzerland by land. Things have improved from the end of the last century, when it took 28 hours to travel by boat and stage coach between Chiasso and Lucerne. But Geneva, Bern and Zurich are still six, four and three hours away respectively.

Crossair has done much to offset this. Pilots flying from the small and tricky airport at Lugano-Agno need special training and 100 landings under instruction before being allowed to land solo, but the company regards the routes as some of its best.

It flies directly to Zurich (45 minutes), Bern (35 minutes), Geneva (55 minutes) and Venice; and indirectly to Basel, Innsbruck, Klagenfurt, Luxembourg, Paris, Strasbourg, Bremen and Friedrichshafen.

It started operating from Lugano in 1980. The number of passengers carried, three-quarters of whom are businessmen, rose from 25,289 in 1981, to 81,639 in 1983. Last year the total reached 106,770, or 37.2 per cent of passengers carried by the airline.

The number of flights has risen over the same period from 2,964 to about 9,000 in 1984. By last year, Crossair was carrying about 100,000 kilos of cargo (mainly documents and spare parts), out of Lugano, one quarter of the airline's total freight trade.

Expansion should continue. Crossair has asked for direct flights to Nice and Basel, and in the summer will introduce the 33-seat turboprop Saab-Fairchild Cityliner. It currently uses 18-seat Swearingen Metroliners.

Crossair and the general speeding of communications may reinforce population changes in Ticino. Before the train, the population was fragmented into small evenly-spread villages. Train routes concentrated this on a north-south axis, and since then the balance has shifted southwards, towards the border with Italy and the main cities and towns.

Crossair's activities are minor, however, compared with road and rail traffic which are putting the canton under severe strain. In July and August, there may be a 20 km queue of lorries waiting to enter the St Gotthard tunnel. This also affects tourist traffic—and Ticino's income.

Alternative

Some pressure will be relieved when the 16 km of motorway south of the tunnel are completed, probably in 1987. The canton will have to cope with an enormous increase in movement of goods. In 35 years this could have risen to 138m tonnes compared with 63m tonnes in 1980.

A second train tunnel has been under consideration since 1966. Last June a report was submitted proposing several alternative lines but to the dismay of the canton the federal government in Bern has been slow to react.

An official of the Swiss Railway Authority says: "The answer has been available for a long time; the Alpins massif must be pierced by a low-level tunnel which will transform the mountain railway into a level railway.

"Heavier and faster trains, shorter distances and running trains, lower fares and freight tariffs and savings in staff and rolling stock will make the expense worthwhile and further strengthen the position of Switzerland as the turntable of Europe."

Madonna del Sasso, overlooking Lake Maggiore and Locarno

PROPERTY

Dilemma of wealth versus identity

A FEDERAL parliament proposal to curb the sale of property to foreigners was rejected last year in a national referendum. Ticino, like almost all the cantons where property is a thriving business, threw its weight against the curb.

A turnout of 43.6 per cent reflected the strong interest, and the emphatic rejection matched that of cantons like Valais, Vaud, Fribourg, Geneva and Weuchatel.

Between 1961 and 1983 there were more than 69,000 foreign applications for property accepted in Switzerland worth SwFr 17.66bn West Germans were the main source with more than 43,000 applications approved, worth 12.1bn for housing and SwFr 2.56bn for commercial premises.

The market as a whole has been declining, with successful applications falling from an annual average of 5,900 between 1979 and 1981 to 2,480 in 1983. There have been a series of laws before last year's referendum restricting foreign sales.

Sales

When Ticino was a poor province cut off from the rest of the confederation during the 1930s and 1940s the sale of *land and property—initially to* Swiss Germans from Zurich—brought wealth and closer association with the rest of the country.

But from the mid-1960s the value of property and construction has risen sharply. The peak period was between 1965 and 1975 although in terms of value of sales 1981 and 1983 were the most profitable years.

Between 1961 and 1983 the cantonal authorities in Bellinzona granted 14,123 applications, of which 9,006 went to West Germans, 3,198 to Italians and 186 to French buyers. These were worth a total of SwFr 2.4bn, and of this SwFr 1.86bn (77.2 per cent) went on housing and SwFr 234m on commercial and industrial property.

In 1983, property sales were worth SwFr 1.17m, up 10.2 per cent on the previous year. Of this SwFr 98,367 was due to sales to foreigners and SwFr 238,730 to Swiss. More than 330 decisions were given in favour of construction, mainly in Lugano (47), Ascona (25), Paradiso, now part of Lugano, (19), Brissago and Magadino (both 14).

Estate agents are confident about long-term prospects. Particularly for corporate investments.

But there is also some recognition in the canton that construction and building has run out of control. Some believe that greater restrictions on second homes and foreign-financed property construction might have strengthened the protection of Ticino's Swiss-Italian identity.

The resolution of this dilemma is not clear. Ticino welcomes the income but some West Germans are having difficulty in selling flats, and the Federal Economy Ministry in Bern says Ticino had a level of unoccupied dwelling places in June 1984 considerably above the national average. This is particularly severe in Lugano and Locarno.

SCHOOLS

University centre planned

TICINO does not have a university, but after years of discussion the cantonal government has recommended the next best thing—a dual-purpose university centre.

Costing only SwFr 6m, it is aimed to come into operation in 1986 as a venue for Swiss-Italian studies and a chance for graduates to pursue special subjects.

It hopes to be housed in the well-equipped Villa Negroni, an elegant 18th century palazzo five minutes from the centre of Lugano.

The university centre will have much in common with the two main international schools—the American School in Switzerland and its breakaway Fondazione Franklin College. Both are superbly positioned, Tasis in Villa da Nobili and Franklin in Villa Sassa—above the city and bay of Lugano.

They have been part of the scenery for more than two decades but not part of the Swiss educational system—except for belonging to the Federation of Swiss Private Schools, 75 years old last year. Six of Ticino's 40 private schools also belong to the federation. Private education in Ticino is a comparatively small affair—2,048 pupils out of 53,712 in 1983/84. But it is on the rise, with numbers up to 2,518 this year.

American

These are favoured for their family atmosphere, special teacher attention and background (often with a religious flavour). Certificates earned here are accepted in the canton but not necessarily elsewhere in Switzerland.

The American colleges are keen to fight shy of the image of being finishing schools for the rich elite. The boarding fee, SwFr 24,700 a year at TASIS and SwFr 15,400 at Franklin have also become easier with the strength of the dollar. The 260 or so pupils at TASIS earn high school diplomas for moving onto mainly American universities. For Franklin's 140 students, the two-year course is widely accepted as part of the requirements for a full degree in the U.S.

The emphasis is American, but not exclusively so. Although 70 per cent of pupils at TASIS are from the U.S., it has a total of 33 different nationalities.

The liberal arts are favoured, and the main aim appears to be a pleasant indoctrination of Americans into the ways, cultures and habits of Europe. Franklin has two-week Academic Travel periods which take students to Prague, Vienna, Salzburg, Budapest, London, Cornwall, Paris, Italy Yugoslavia and Germany.

CONFERENCES

Growth capacity limited

IN SPITE of a history of congresses and conferences, and of Locarno's annual film festival, Ticino is surprisingly underequipped to hold such meetings.

It has only the Lugano Convention Centre, a dour building in grey concrete which contrasts sharply with the adjoining light ochre Villa Ciani.

Plans for a centre had been under discussion for 20 years before work started in 1968, with problems about whether and where to build it. The building opened in 1975, having cost SwFr 35m.

The centre comprises a small theatre, press room, a 1,100-seat auditorium, banqueting or conference hall for 850, other meeting rooms and a restaurant.

The number of conferences, meetings and exhibitions rose from more than 700 in 1980 to 807 last year, but the number of participants remained at about 100,000 in that time. Officials say they cannot cope with more events.

The contribution of the convention centre to the economy of Ticino shows in the 17,200 nights booked in Lugano hotels in 1984.

Here lies the problem. There are some 9,000 beds at nearby hotels but the two largest, Grand Hotel Eden and Splendide Royal, have only 230 and 204 respectively. Conference participants have been spread between as many as 30 hotels, or farmed out to Chiasso or Bellinzona.

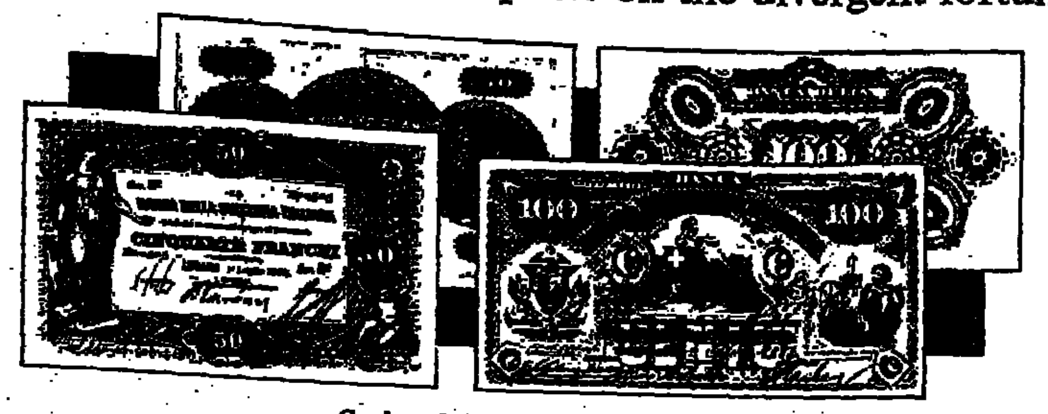
A debate has been going on for three years about whether Lugano should invest in a new hotel with between 400 and 600 beds. Conference centre officials want one but most hoteliers are against, citing low occupation rates.

There is little doubt that Lugano could use its capacity *more fully* by attracting people during the dead winter months rather than bulging at the seams in July and August.

The choice seems to lie with limiting conferences to between 200 and 300 for comfort or expanding through a new hotel and a bigger conference centre.

هكذا من الأصل

John Wicks reports on the divergent fortunes of finance and factories



Copies of old Ticinese bank notes

BANKING AND GOLD

Key role in economy

EVEN BY Swiss standards the last few years have seen remarkable growth in Ticinese banking. Some 22 banks with almost 270 headquarters and branch offices — about one for every 1,000 inhabitants — have quickly built combined assets estimated at about SwFr 30bn.

This excludes funds under management, which are probably about twice as much again.

Until well after World War Two, nobody could have expected the Ticino to become such an important location within the Swiss financial sector. Banking in southern Switzerland was for many decades a modest affair. The first banks were established in the 19th century — Banca della Svizzera Italiana dates from 1873 — but the real boom did not set in until about the mid-1950s.

Since then, Ticinese banking has developed quicker than in any other part of the country. This is due to formation of new banks in the canton and expansion by both local banks and those like the Big Five from other cities. Between 1955 and 1982 banking outlets increased at three times the Swiss average.

In Ticino's service-orientated economy, banking has come to play a key role. More than half the corporate taxes paid in the canton come from banks, apart from the substantial contributions which 7,200 bank employees make in income tax. In the city of Lugano, where 12 per cent of the labour force is in banking, almost two-thirds of corporate tax comes from the banks.

One reason for the rapid expansion has been the sharp rise in prosperity within once-poor Ticino. Industrialisation, improved infrastructure and flourishing tourism gradually made Switzerland south of the Gotthard more attractive for bankers.

Bonds

The region is still one of the less well-off in Switzerland, but it has developed much faster than the national average since the war. In spite of recent wrinkles in the local economy and the low Swiss inflation rate, Ticinese cantonal income per capita went up by more than one-third from 1977 to 1983 alone.

A rise in deposits, mortgages and the sale of banks' over-the-counter medium-term bonds (bligazioni di cassa) has benefited not only the official Banca dello Stato del Cantone Ticino and leading locals like Banca della Svizzera Italiana (BSI) and Gotthard Bank, but also the big banks from the north. These are believed to have a combined stake of well over half of bank-savings, which has expanded almost five-fold since 1970.

Participation in local business is indicated by the breakdown of banking outlets in Ticino. Of the 268 registered, the big banks have 62. Union Bank of Switzerland alone is the biggest employer in the canton and the Banco dello Stato has 16 branches.

Of the remainder, 115 were accounted for by the little Raiffeisen banks of the central European countryside. BSI, as the biggest Ticinese bank, had 17 branches and agencies in the canton apart from its Lugano head office.

Recently the big five have strengthened their presence with a new Volksbank branch in Lugano, an additional UBS branch in Chiasso and an increase of the Bank Leu shareholding in Cornèr Banca, Lugano, to more than 27 per cent.

A large share of Ticinese banking is international. From the start the banks have had foreign links, not least by handling money sent home in the last century by the many Italian-Swiss who emigrated to the Americas. Business grew with the influx of tourists and wealthy immigrants. Today, much of the banks' foreign trade involves Swiss safekeeping and turntable services.

The proximity of Italy, with Milan only an hour away from Lugano, has meant that the southern neighbour has always played a significant role. All the seven foreign banks based in the canton were set up by Italians, although the controlling interest in Gotthard Bank held by the ill-fated Ambrosiano group passed last year to Sumitomo Bank of Tokyo.

A sizeable share of the funds on and off Ticinese banks' balance sheets continue to come from Italy. Large sums have traditionally crossed the border into savings and fiduciary accounts, particularly at times of political uncertainty.

Italian clients now seem to be accounting for a smaller share of the whole. There is no longer the near-panic fear of the swing to the left which haunted Italy for so long, and the lira has become much more stable.

The banks also have been keen to expand their geographical base. Massive Italian money movements had proved an embarrassment for the Ticinese and Swiss banking establishment and led to scandals. The biggest, which came to light in 1977, involved the investment of Italian fiduciary accounts back in Italy via the Chiasso branch of Crédit Suisse and an allied Liechtenstein letter box.

Foreign custom now seems more diversified. The same goes for the non-Swiss element in Ticinese banking. Apart from incorporated foreign banks, the New York-based Irving Trust has a stake of some 25 per cent in the voting shares of BSI after raising its holding by buying a share packet from Banca Commerciale Italiana. Foreign banks' operating in other parts of Switzerland have a total of eight branches in Lugano and three in the border town of Chiasso.

Finance companies, known in Switzerland as "quasi-banks," have not been much in evidence apart from Gotthard Bank's Ultrafin subsidiary. But Nomura has opened a Lugano office and other Japanese brokers are interested, primarily for visiting Italian clients.

Some Ticinese banks are active abroad. The biggest foreign presence is that of BSI, which has a subsidiary in Nassau, offices in New York, Nassau and London, and stakes in the two multi-national banks Cie Monégasque de Banque in Monte Carlo and Société Européenne de Banque in Luxembourg.

In about three years the London office might be upgraded to a branch, Mr Giorgio Ghiringelli, BSI general manager, says Overland Trust Bank, which set up its office in London before BSI could develop the same way.

Securities

Gotthard Bank is planning to heat up a number of plans put on the back burner during the latter days of Ambrosiano control. These include offices in London and New York and the acquisition of a Swiss portfolio-management bank. It already has a Nassau subsidiary, Nassau and Luxembourg branches and an office in Frankfurt.

For all the continued growth in combined balance-sheets (with the big banks accounting for between 40 and 50 per cent of the total), Ticinese banks tend to be looking at non-interest business to provide the main thrust in new activities at home and abroad. Portfolio management continues to grow, but so do specialist trade-financing, securities and underwriting—and such unexpected operations as ship management by Overland Trust's Geneva subsidiary Acomarit Services Maritimes.

The Ticino plays a particular role as a gold-processing centre. Crédit Suisse owns the Balerna-based smelting-and-assay company Valcambi, and UBS has a similar plant in its Argor subsidiary at Chiasso to produce bullion bars, medals and the like. A new, rationalised plant is now foreseen by Argor.

Last year another producer, Produits Artistiques de Métaux Précieux, moved into modern premises in Castel San Pietro. The inauguration was carried out by Sheikh Yamani, the Saudi oil minister and a friend of PAMP founder, a Geneva-based precious-metals dealer Mahmoud K. Shakarchi.

Even at the time of the move from Chiasso to Castel San Pietro, the company claimed to be the world's leading seller of small gold bars, as well as making silver bars and ornaments.

The canton might, indeed, one day again be a primary producer of gold. Narex Ore Search Consultants, a Canadian company, is considering reopening old mines in Sessa and Astano in the Malcantone region.

PROFILE: AGIE INDUSTRIAL ELECTRONICS

Sparking to fast growth

IN THE mid-1950s a modest enterprise started in a disused cabinet-maker's workshop. AGIE Industrial Electronics has come a long way since then. It is the biggest industrial concern in Ticino, one of Switzerland's main machine-tool manufacturers and claims to lead the world in spark-erosion technology.

The company first saw the light of day north of the Alps. Dr Leonhard Gysin, a Basle lawyer, set up the business in 1954 to market electronic equipment.

Sales included ultrasonic units for such jobs as cleaning and drilling so the company became interested in spark erosion, an electrical-discharge process in competition with ultrasonic drilling techniques.

Spark erosion was nothing new. It had been used for making metal powder in the 19th century and in the manufacture of World War Two rocket launchers in the Soviet Union. The process was, primitive, however, when the young Swiss company bought a patent in France.

AGIE moved fast. It set up premises in Losone, a few miles uphill from Locarno, and began machine-tool production. In the following years it carried spark erosion technology forward, developing its own patents. A second plant was built nearby in 1971, and by 1977 the company employed 1,000 people.

When Mr Ferdinand Hermann took over as managing director, he decided the stress should be placed not on production, but on solving of clients' problems. This meant getting closer to the customer and offering applications for specific needs.

Mr Hermann also put an end to the production licences, which the company had issued during the mid-1970s. He saw this as removing the direct contact with customers necessary for his problem-solving policy and allowing too little feedback to AGIE.

Machine tools

Current licensing agreements came about through competitors being confronted by AGIE after using its patents without asking. Out-of-court settlements were reached with the Japanese companies Fujitsu-Fanuc and Hitachi-Seiko and Switzerland's Charmilles, all of which paid "considerable" compensation to the Losone group. Last October an amicable agreement was also signed with Brother Industries, another Japanese company.

An action is under way against Mitsubishi in the U.S.,

Japanese competitors have gained a large stake in the world market for spark-erosion machine-tools. This eroded the Swiss company's important U.S. business, particularly after a 1978 flood held up AGIE deliveries. Nevertheless, the sophisticated AGIE machines can achieve premium prices, so the "tailor-made" policy is paying off well.

Ferdinand Hermann; managing director of AGIE Industrial Electronics

Unlike many industrial companies, AGIE is not interested in diversification. It sees the host of applications for spark-erosion machine tools—used for everything from spinning nozzles for nylon filaments and zip fasteners to plastic moulds and car bodies—as diversification enough.

Expansion

In spite of this, the group has seen a considerable geographical spread over the past year. AGIE Holding, the parent company of the Swiss manufacturing operation, also has consulting and marketing subsidiaries in the UK, Japan, the U.S., Germany, France and Italy—again with a view to keeping the closest possible relations with clients.

It has also taken over the Swiss company Fluri Maschinen-Werkzeug-und Modellbau of Dietlikon, and the German IBH Deutschland.

These two subsidiaries are a new departure for AGIE, as they are engaged in development and manufacturing.

Expansion of one kind or another is certain. AGIE Holding has an annual turnover of almost SwFr 200m, of which SWFr 167m was last year accounted for by the Losone operation. By 1990 group sales will be between SwFr 350m and SwFr 500m, Mr Hermann says.

The company is also going public. Between 60 and 70 per cent of the voting shares are held my Dr Gysin and people close to him. Union Bank of Switzerland's subsidiary Eidgenossische Bank and Credit Suisse each hold 18 per cent by capital value.

About the middle of this year AGIE Holding will issue participation certificates. A total of 2,000 dividend-right certificates will be split one-for-10 and transformed into non-voting shares, with the creation of an additional 35,000 participation certificates.

Existing shareholders will be offered only a small part of these 55,000 certificates. AGIE, which foresees a Zurich listing, says this first public share issue is a test. If it works, the company will consider issuing bearer shares.

INDUSTRY

Low demand and tight competition

CANTON TICINO is best known for its service economy, based on tourism, banking and transport. Yet 40 per cent of the labour force works in factories. There are 518 "industrial operations," so at least in terms of plant Ticino is as highly industrialised as the rest of Switzerland.

Industry has been shrinking rapidly, however. Processing industry plant, excluding quarries, industrial-scale service installations and the like, fell from nearly 700 in 1966 to less than 500 by the end of 1983. The workforce peaked later but dropped 15 per cent from 1970 to just over 25,000 by 1983.

This has been due partly to the same recession that hit other parts of the country. But southern Switzerland has specific problems, indicated by the fact that unemployment at the end of 1984 was 2.5 per cent — more than double the Swiss average.

One negative factor is the large number of Italians who enter Switzerland daily to work in many industries close to the frontier. Sig Flavio Cotti, head of the Ticinese Department of Economic Affairs, says this has meant that many enterprises in the border area tend to develop on low wages rather than high technology.

Italian employees do well on a lira basis, but they earn about 25 to 30 per cent less than Swiss staff.

Much Ticinese industry is in sectors hit hard by slack demand and tough competition. This includes the three main products in the canton's economy — clothing, machine-building and metalworking. The same goes for the locally important construction industry.

Cantonal authorities in Bellinzona say improvements in the international and national economies have had an impact on the Ticino. This does not seem to apply to industry, however, where employment fell by a further 0.3 per cent in the third quarter of 1984 compared with a year earlier. Industrial employment was down to 92.2 per cent in the third quarter of 1981.

The Lugano area, with 40 per cent of factories, and the Mendrisiotto, with another 30 per cent, have been particularly affected. But these are in the prosperous southern part of the canton. The Ticinese Government is more worried about the mountain areas, where lack of economic opportunity is leading to large-scale depopulation, and the rural north, where the Von Roll group has restructured its crisis-ridden Monteforno plant.

Ticinese industry has not ground to a halt, however. The biggest industrial company in the canton, the AGIE group in Losone, has gone from strength to strength in spite of a flood disaster in 1978. In the early 1980s, the Alusuisse subsidiary Lonza spent SwFr 28m on expanding and up-grading graphite output at its Gotthardwerke plant in Bodio.

More recently, Von Roll modernised the Monteforno steel rolling mill in the same commune. In Cadempino the Inpharzam pharmaceutical company, part of the Italian Zambon concern, is to double its capacity, while the PAMP precious-metals company, has opened a larger unit in Castel San Pietro. Union Bank of Switzerland's gold smelter Argor foresees a more modern plant in Chiasso.

Moves into higher technologies and increased added value, are important, as one of the innate weaknesses of Ticinese industry has been concentration on products subject to heavy competition from abroad.

The pharmaceutical industry has grown to 16 companies since World War Two and represents about 30 per cent of industrial investment in the canton. Some 70 per cent of production is exported, with the Pharmaton affiliate of the Swiss Galactina group selling its ginseng-based specialities in about 100 national markets.

Many established industries are also improving production. Gotthardwerke is lining up new applications like alkaline dry batteries. AGIE has developed spark erosion from a primitive post-war machining process into a high-technology machine-tool system.

Albe, in the Lugano suburb of Agno, has expanded to a 500-employee plant making precision machinery after starting in the 1950s producing ball points for pens.

The Ticino does not offer many obvious advantages for the industrialist. Some advantages have disappeared—like low electricity prices and local quartz deposits which brought Lonza to Bodio in the early days of the century.

Recruiting from other parts of Switzerland is not always easy, as Ticino is Italian rather than German or French-speaking. Even the canton's biggest industrial company, AGIE, came there not because of any real economic advantages but because the wife of one of the founders was a homesick Ticinese.

There are more positive considerations, however. The canton is near the northern Italian industrial area, and has profited from recent improvement of transport links to the rest of Switzerland. An important factor in high-technology industries is the quality of life in the canton to attract managerial and research personnel.

Some help is coming from the canton's leading bank, Banca della Svizzera Italiana, and its affiliated auditing firm Fidinam Fiduciaria which set up Holding di Promozione Industriale in 1983 with a capital of SwFr 5m. More than 50 investment projects have been investigated mainly from abroad, and the company has taken up participation in four companies, three in electronics and one in software.

THE ARTS

Cinema/Nigel Andrews

A Britain in desperate disrepair

Wetherby directed by David Hare
2010 directed by Peter Hyams
Pavlova – A Woman for all Time directed by Emil Lotianou
Ladies on the Rocks directed by *Christian Braad Thomsen*

David Hare's *Wetherby*, which won the Golden Bear last week at the Berlin film festival, has the screaming neatness of a Pinter play. Dark passions writhe in the small Yorkshire town of the title, but everyone moves about sustaining the social graces and shelling out the dinner-time aphorisms. Everyone except the quietly demonic young man (Tim McInnerny) who visits schoolteacher Jean Travers (Vanessa Redgrave) the day after he mysteriously crashed her dinner party—everyone thought he'd been invited by someone else — and calmly *blows his brains out in front of* her.

This isn't a whodunit but a whyd'e-do-it. Did something take place that dinner evening that we wot not off? Does Vanessa guard a shady secret? Will waif-life Suzanna Hamilton, a fellow student from the young man's university who apears from nowhere and pads up with Vanessa for a few days, provide the key? And will Wetherby's police inspector (Stuart Wilson) know how to turn it?

But since this is Hare, not Agatha Christie, the precise questions—let alone the precise answers—matter far less than the spiralling *sense of ironic* malaise and a social machinery in desperate disrepair. This is a Britain where passion is dying (throttled by gentility, cynicism and even the standardising processes of education); where a violent act, even if "solved," remains unresolved; where open front doors let in nameless horrors; and where the dinnertime patter of tiny minds —Judi Dench, Ian Holm, Marjorie Yates, all superb as Redgrave's tintinnabulating friends—can scatter in terror at the approach of a stranger bringing self-expression.

Ever and anon, Hare dives into flashback to give us the young Jean Travers (played by Redgrave's daughter, Joely Richardson) going through the formative repressions of a war-time romance with a young flyer (Robert Hines): a romance bitten off by parents, prudery, the call of duty and the spurious fear of educational gulfs.

Hare, stage- and telly-bred, tends to confine camera movement to demure little track-forwards at each scene's start — from master-shot to character group — and the colour photography, though noir-ishly shadow-swathed, is often drably uninflected. As Michael Powell and Nicolas Roeg have shown, films about repression needn't be—indeed shouldn't be—repressed in style. There's no judgment in mere *duplication*.

But the scrip is a knockout. The aphorisms had even phlegmatic Berlin audiences rolling in their *lederhosen*. And praise be that Hare hasn't persuaded his cast of Royal Shakespeare graduates to speak with "ee bah gum" accents, even if one sometimes wonders what all those Home Counties brogues are doing up North.

Holm and Dench have the sweet, crumpled, flattened demeanour of people who have been run over by Thatcherite Britain. McInnerny is quiet, pale and authentically terrifying as the intruder-suicide.

*Best of all, there is the peer*less Vanessa. She now resembles a lamp-post with a stricken, guttering flame. She totters, she sways, she swirls with unspoken passion, and her gaunt and pallid face is like something out of *Edvard* Munch. The performance is a British miracle: it's at once understated and overwhelming. And so, at its very best, is the film.

* * *

In Peter Hyams's *2010*, by contrast, we spend 116 minutes wondering if this space sequel to *2001* is going to end up over the moon or sick as a parrot. The parrot wins by a short beak.

Arthur C. Clarke, who wrote the novel, and Hyams, who wrote, produced, directed and photographed the film, have found little more to do than charge around the galaxy tying up all the magnificent loose ends of Kubrick's film into neat Hollywood bundles. As one thing after another is "explained" to us — what those space *monoliths* are, why Keir Dullea aged, what's wrong with Hal — we feel like children being told that Santa Claus is not a mystery Yuletide visitor from never-never-land but a civil service sack operative from the Ministry of Goodwill.

Meanwhile, *shark-faced* Roy Scheider clips commands to the Russian-American space crew he's leading, Comrade Helen Mirren sultries across the screen with slinky accent as the Soviet CO, and John Lithgow and Bob Balaban are the back-up brains from NASA. Richard Strauss's Zarathustra theme swings into action again *— a sort of cosmic Mastermind* —and the spaceships are as perversely gorgeous as in *2001*: here a giant flaming lemon, there a mile-long hunk of bone with a revolving, spanner-shaped midriff. But any resem*blances to the spirit of* Kubrick's film, rather than the nuts and bolts and gimmicks, are purely coincidental.

* * *

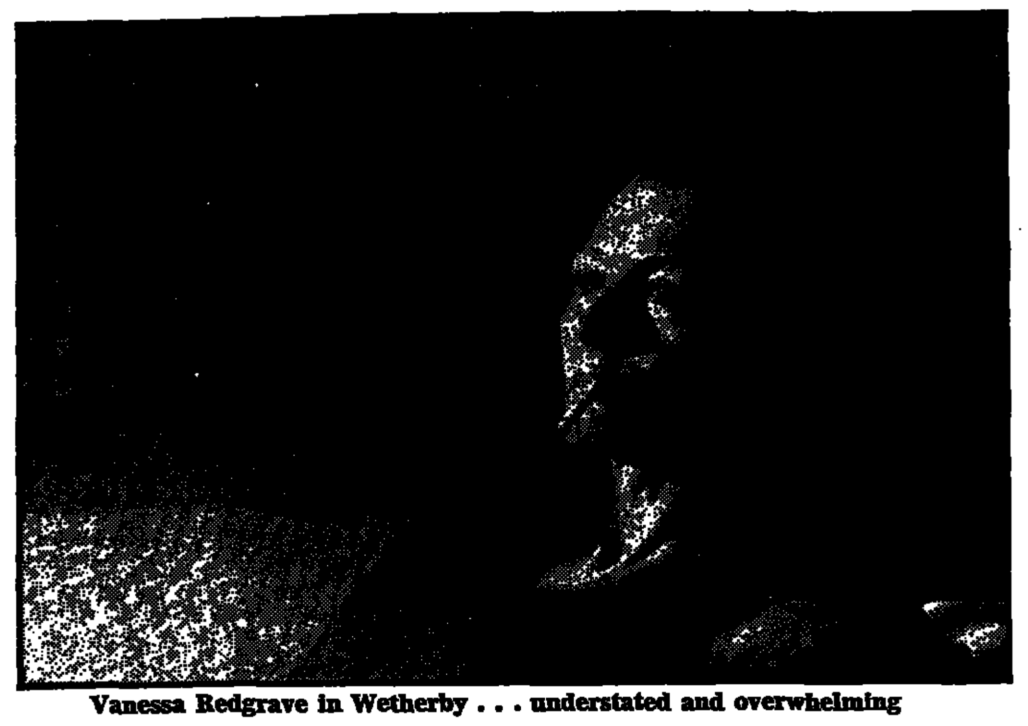
Pavlova — A Woman For All Time put me in mind more than once of *2010*. Its heroine (Galina Beliaeva) is a five-foot-six hunk of bone with a pirouetting midriff, and the movie is a giant lemon. Like so many "true stories" ineptly filmed, you scarcely believe a word of it. The childhood is such a standardised movie struggle between sentimentality and stoic self-sacrifice. The rise to fame is at once metoric and automated and completely unmoving. And did Pavlova really drive her ballet fans, as she does her film audience, into a state of advanced stupefaction by endless reprises of her *dying swan* (Saint-Saens, not Tchaikovsky)? This *is* one swan one would be happy to help on its way.

James Fox bobs unhappily into view as Victor D'Andre, the man who woos and weds her while building a bridge over Neva ("It will be as filigree as your dancing"). Bruce Forsyth erupts as her London impresario, all chin and chutpah. And goodness knows what Roy *Kinnear and Martin Scorsese* are doing in the cast, in don't-blink cameos as a knockabout Hampstead gardener and the director of the Met respectively.

This 2¼-hour co-production, written and directed by Russia's *Emil Lotianou, was filmed in* seven countries and seems every bit as stateless as that suggests. As we stagger on from Paris to London to New York to Mexico City, the post-synchronised voices become ever more sepulchral (poor Fox isn't even dubbed with his own but with actor Robert Rietty's) and one wishes this prima ballerina would find somewhere to hang up her tutu and call it a day.

* * *

If we must have lady entertainers on tour, better *Ladies on the Rocks*. Danish writer-director Christian Braad Thomsen swats us merrily round the sensitivities with the scabrous *doings of Micha* (*Helle* Ryslinge) and Laura (Anne Marie Helger). Their roving cabaret act specialises in rudery and nudity, but is strictly self-deprecating. "Here comes the sausage roll," says Micha, pinching the fat round her waist. "I can make small animals out of mine," says Laura, grabbing a hnadful *of thigh* and doing so. And if I were to tell you what the "pencil test" is we'd have Mary Whitehouse banning stationery shops. The film also jaunts through their offstage lives and loves with compassion and crackle.



Vanessa Redgrave in Wetherby . . . understated and overwhelming

Cornelius Cardew's Music

Paul Driver

This last of the current Arts Council Contemporary Music Network touring concerts—a *retrospective, memorial* view of Cornelius Cardew's music, received by a sizable audience at the Blomsbury Theatre on Wednesday — has been honourably devised and no doubt industriously brought to fruition but as a cultural experience it could not have been more dismally discouraging.

Cardew began his career as a precocious imitator of the avant-garde of his day — Stock*hausen and Cage, whom he* "outdid." He passed on to the espousal of a Maoist cult of democratic music—improvised, random, truly "Scratch" music. Finally he was politicised out of this into a dreary neo-*Socialist Realism, producing* a quantity of venomous, gauche and deeply forgettable revolutionary songs.

I used to be interested in the concepts embodied in Cardew's earlier work, as also in the ironic, philosophic turn of his mind revealed in, say, the introduction and notes to *Treatise* (his ambitious graphic score, represented in the concert). I was taken by the entire phenomenon of such a maverick, who offended against every *stricture of genteel* English society as he discovered himself in one fanatical belief after another.

I'm now inclined to doubt there was much "self" to discover after all. Cardew's creative identity looks, on reflection, to have been too weak to support any real musical creation. The piece which began the evening, *Material* for two pianos (Frederick Rzewski and John Tilbury), was an insipid tracery of modish, delicate sounds, whose interst lay more with the artists than in anything intrinsic.

No other early work was included but few really commend themselves, and those mainly for the dandyish wit of their titles (*Three Winter Potatoes* for piano, *Bun No. 2* for chamber orchestra). The extract from *Treatise* that followed was merely a film of meaningless elegant sound. It could not fail to be elegant *when the participants* (Keith Rowe, Edwin Prévost, Rzewski, Tilbury and four others) are such experienced improvisers (but they have developed their clichés too); nor meaningless when there is demonstrably no relation between score and sound, just total freedom of the latter.

Of the workers' songs heard in various guises after the interval, only Dave Smith's Eisler-like arrangements of *Dartmoor* and *Consciously* gave even slight pleasure, while they all had one gawping at Cardew's musical vulgarity and ruinous political naivety.

Arts Week

F	S	Su	M	Tu	W	Th
8	9	10	11	12	13	14

Opera and Ballet

PARIS

Doctor Faustus alternates with Soirée de Ballets, two premiers' by young choreographers, David Bintley and Nils Christe, and Balanchine's Crystal Palace at the Paris Opera (742 5750).

La Traviata, performed by Orchestre Colonne, conducted by Donato Renzetti in a Bonn Opera production by Luca Ronconi, with Violetta sung alternately by Diana Sociero-Uzan, Jenny Drivala and Julia Kukely. TMP-Châtelet (233 4444).

Ballet de Marseille, Roland Petit's premiere of The Marriage of Heaven and Hell to Art Zoyd's music. Théâtre des Champs Elysées (723 4777).

WEST GERMANY

Berlin, Deutsche Oper: This week's *highlight is Otello with Pilar Lorengar*, James McCracken and Guillerma Sarabia. Also, Herbert von Karajan's production of Der Troubadour, Die lustigen Weiber von Windsor with Norma Sharp and Helmut Berger-Tuna, and Manon Lescaut *with Pilar Lorengar* and Giorgio Merighi.

Hamburg, Staatsoper: My Fair Lady has Gabriele Ramm as Eliza Doolittle and Boy Gobert as Henry Higgins. It is produced by Karl Wesseler. Arabella has Anna Tomowa-Sintow and Bernd Weikl, Der Troubadour Fiorenza Cossotto and Lando Bartolini, La Bohème Eleana Cotrubas and Neil Shicoff; Alexander Zemlinsky's rarely played Der Kreidekreis rounds off the week.

Frankfurt, Opera: Der fliegende *Holländer* is back with a new cast this month, including Dunja Vejzovic as Senta. Volkmar Olbrich conducts Der Zigeunerbaron, Eugene Onegin stars Helena Döse, Margit Neugebauer und John Hanssen, and La Bohème, produced by Volker *Schlondorff, features Ilona Tokody* and Peter Kelen.

LONDON

Royal Opera, Covent Garden: Bellini's I Capuleti E i Montecchi, which enjoyed a *successful first Covent Gar*den showing last season, returns with a new set of principals and conductor – Tatiana Troyanos (long absent from this theatre) and Katia Ricciarelli as Romeo and Juliet, the Dane Michael Schonwand in the pit. More of the Handel centenary production of Samson, with Jon Vickers returning to one of his greatest roles here after a gap of at least 26 years. (240 1066).

English National Opera, Coliseum: Count Ory, a perennial ENO favourite, returns with a largely new cast, including Isobel Buchanan, Jane Edward, and Anne-Marie Owens, but led by John Brecknock's long-admired account of the title role. Last performance of Tristan, in which Kenneth Woollam takes over the tenor role, and Lionel Friend the conductor's post; also further performances of the new Xerxes, conducted by Charles Mackerras, and of the ENO's "smash-hit" Rigoletto. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet brings in a new ballet by Michael Corder on Saturday and shows it again on Tuesday: the rest of the triple bill contains The Firebird and Kylian's Return to the strange land.

ITALY

Rome: Teatro dell'Opera: Three ballets: Carmen Suite to music by Rodion Scedrin, Isadora with choreography by Roland Petit, and The Four Seasons (Vivaldi's Music) – danced by Maya Plissetskaya and the Teatro dell'Opera Ballet Company. (Fri, Sun, Tue). (461755).

Milan: Teatro alla Scala: Zeffirelli's new production of Swan Lake with choreography by Rosella Hightower with Renata Calderini as Odette, Anna Razzi as Odile and Marco Pierin as The Prince (Sun). (809126).

Turin: Teatro Regio: Mussorgsky's opera La Chovanscina – Italian version by Fedele d'Amico, conducted by Bruno Bartoletti, directed and with scenery and costumes by Pier Luigi Pizzi. In the cast: Stefan Elenkov, Maurizio Frusoni and Perry Price. (Sun, Tue). (548 000).

Naples: Teatro di San Carlo: A highly successful production by Mauro Bolognini of Franz Lehar's Merry Widow conducted by Daniel Oren and sung by Raina Kabaivanska, Mikael Melbye, Daniela Mazzuccato, Max Rene Cosotti and Silvano Pagliuca (Sat, Sun, Wed). (418266).

Palermo: Teatro Massimo (Politeama Garibaldi). Verdi's Don Carlos conducted by Pinchas Steinberg and directed by Vera Bertinetti and with scenery by Nicola Benois. Sung by Ilona Tokody, Maria Luisa Nave, Piero Visconti and Giorgio Zancanaro (Fri, Sun, Wed). (584334).

Verona: Arena di Verona Company at the Teatro Filarmonico: Gluck's Orfeo ed Euridice conducted by Massimo de Bernart and directed by Giancarlo Cobelli, with scenery and costumes by Maurizio Balo (Sun, Wed). (22880).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Franco Zeffirelli's production of Tosca conducted by Giuseppe Sinopoli with Hildegard Behrens and Placido Domingo. Thomas Fulton conducts last season's new production of Ernani, starring Montserrat Caballe, Ermanno Mauro, Pablo Elvira and Paul Plishka. Die Meistersinger, conducted by James Levine, features Mari Anne Haeggander, Edward Sooter and David Rendall. James Levine also conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker *and Bruce Hubbard. Lincoln Cen*ter (362 6000).

Music

LONDON

Royal Philharmonic Orchestra, conductor Edward Heath; Nigel Kennedy, violin: Rossini, Vaughan Williams, Bruch, Beethoven. Royal Festival Hall (Mon). (928 3191).

Academy of London, conductor, Richard Stamp. Cundula Janowitz and Ralph Kohn, soloists: Bach cantatas and Faure's Requiem (Mon). (928 3191). Queen Elizabeth Hall.

English Chamber Orchestra, conductor, Jeffrey Tate: William Bennett, flute; Thea King, clarinet: All-Mozart programme (Tue). (928 3191). Royal Festival Hall.

Bach 300 Festival with London Bach Society and Steinitz Bach Players: Bach's cantatas for the Royal House of Saxony and Leipzig University. Queen Elizabeth Hall (Tue). (928 9131).

Berlin State Symphony Orchestra, conductor, Otmar Suitner: Mozart, Mahler. Royal Festival Hall (Wed). (928 3191).

Royal Choral Society and English Chamber Orchestra, conducted by Meredith Davies: Handel's Israel in Egypt. Royal Festival Hall (Thur). (928 9131).

London Symphony Orchestra, conductor, Claudio Abbado; Salvatore Accardo, violin: Ligeti, Berg, Mahler. Barbican Hall (Thur). (638 8891).

Jazz: Ronnie Scott's Frith St. W.1: G.B. Blues Company, featuring Root Jackson all week.

PARIS

Christa Ludwig recital: Erik Werba, piano (Mon). Théâtre de l'Athénée (742 6727).

Orchestre Colonne conductor, Antonello Allemandi, Raphael Orozco: Chopin, Mahler (Mon). Salle Pleyel (561 0630).

Trio Eysseric: Haydn, Beethoven, Schubert (Mon). Salle Gaveau (563 2030).

Ensemble Intercontemporain, conductor Lawrence Foster: Copland, Machover, Monnet, Stravinsky (Mon). Théâtre du Rond Point (256 7080).

Jean-Philippe Collard, piano; Nina Bodtnar, violin: Vitali, Faure, Kreisler (6.30pm), Orchestre *National de* Lyon, conductor Maurizio Arena; Margarita Castro-Alberty, soprano: Verdi arias (8.30pm). Both concerts Monday, TMP-Châtelet (233 4444).

Orchestre de Paris conducted by Daniel Barenboim: Bruckner's Symphony No 8 (Tue). *Salle Pleyel* (651 0630).

Orchestre de Paris, conductor, Daniel Barenboim: Saint-Saens, Wagner (Wed). Salle Pleyel (651 0630).

WEST GERMANY

Frankfurt, Alte Oper: Lieder recital by Dietrich Fischer-Dieskau; Hartmut Höll, piano, an all-Brahms evening (Mon). Ivo Pogorelich, piano recital: Schumann, Prokofiev, Chopin (Wed).

Berlin, Opera: Lieder recital by Brigitte Fassbänder; Irwin Gage, piano: Schumann, Berg, Liszt and Richard Strauss (Tue).

ITALY

Rome: Audiorium of Via della Conciliazion, *conductor Bruno Aprea lves* 'Three Places in New England'. Castiglioni, and Mahler with the pianist Massimiliano Damerini (Sun, Mon, Tue), Friday, the Trio Archdyke playing Beethoven, Haydn and Mendelssohn (654 1044). At the Teatro *Olimpico (Piazza Gentile da Fabriano)*: Mark Kaplan, violin; Vicenzo Balzani, piano: Mendelssohn, Beethoven, Bartok and Paganini (Wed). (393304). At the Oratorio del Gonfalone (Vicolo della Scimia 1/B – Via Giulia) I Madrigalisti di Venezia *with organist Giuseppe de Dona*: Handel, Monterverdi, Frescobaldi, Bach (Thur). (655952).

Milan: Teatro alla Scala: Vladimir Ashkenazy piano recital, Schubert sonatas and Rachmaninov's Variations on a Theme by Corelli (Mon). (809126).

VIENNA

Piano Evening: Nanako Tanaka; Scarlatti, Scriabin, Sadao, Bekku and Schubert. Urania (Fri).

Piano Evening: Malcolm Frager; Haydn, Schumann and Brahms. Konzerthaus, Mozart Saal (Sun). (72 12 11).

Haydn Festival 1985: BBC Welsh Symphony Orchestra with BBC Welsh Choir, conductor Roger Norrington, Eiddwen Harrhy, soprano; Carolyn Watkinson, alto; Maldwyn Davies, tenor; Stephen Roberts, baritone. Handel and Haydn. Musikverein, (Mon). (658190).

NEW YORK

New York Philharmonic (Avery Fisher): conductor, Erich Leinsdorf; Julliard String Quartet; New York Choral Artists: Handel, Schönberg, Debussy, Berlioz, Tchaikovsky (Tue). Erich Leinsdorf conducting; Kathleen Battle, soprano; Werner Klemperer narrator: Bach, Berg, Beethoven (Thur). Lincoln Center (874 2424).

Carnegie Hall: Alban Berg Quartet: Philippe Entremont, piano: Mozart, Berg, Schumann (Mon). National Orchestra of New York: Lukas Foss and Alvaro Cassuto conducting; Yehudi Menuhin and Edna Michell, violins: Schumann, Brahms, Foss (Tue); The Israel Philharmonic: Zubin Mehta conducting; Izhak Perlman, violin; Avni, Tchaikovsky (Wed); Israel Philharmonic: Zubin Mehta conducting: Tal, Mozart, Mahler (Thur). (247 7459).

WASHINGTON

National Symphony (Concert Hall): conductor Mstislav Rostropovich, Leon Fleischer, piano: Berlioz, Ravel, Shostakovich (Mon, Tue). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Youth Concert, conductor Henry Mazur, Amy Oshiro, violin; Bradley Opland string bass: Squire/Miller, Mendelssohn, Vanhal, Verdi (Wed mat). Chamber Music Concert: Chadamian Trio: Beethoven, McCabe, Schubert (Wed). Rafael Kubelik conducting; Edgar Krapp, organ: Kubelik, Beethoven (Thur). (435 8122).

Exhibitions

WEST GERMANY

Düsseldorf, Kunsthalle Grabbeplatz 4: The early Rhineland Art between 1918-1945. Until the mid-1920s Düsseldorf dominated the renewed cultural life of the entire Rhineland. Among the artists are von Nauen, Campendonk, Klee, Zschokke, Matare, Moll, Schmurr, Flechtheim, Ernst, Dix and Wollheim. One part focuses on problems of immigrants and cultural life under the Third Reich. Ends April 8.

Berlin, Akademie der Künste, 10 Hanseatenweg: 130 paintings and 70 drawings from between 1945 and 1984 by Rupprecht Geiger, the German painter. Ends March 17.

Frankfurt, Frankfurter Kunstverein, 44 Markt: Italian art between 1910 and 1980 offers about 80 paintings and sculptures by roughly 50 artists, among them Chirico Bocioni, Carra Morandi, Modigliani and Manzu. Ends April 8.

LONDON

The Royal Academy: Marc Chagall – a full retrospective (organised by the academy in association with the Philadelphia Museum of Art, to which it travels later in the year) of the work of one of the most popular masters of modernism, still at work in his 99th year and last survivor of the artists' Paris of its great period before the first world war.

Chagall, for all his popularity, has remained a maverick artist, idiosyncratic and independent, and hard to categorise. We now see, however, that he has always been a good artist, and at times, most notably in that first time in Paris after 1910, a great one. The work of his extreme old age, moreover, does him more than credit, representing no falling off in its technical command or imaginative authority, but simply a restatement of the poetic images and ideas that have always haunted him and he has made his own – the soaring and floating lovers, the clowns and musicians, the flowers and trees, and that strange, colourful domestic bestiary of cocks and hens, goats, cows and asses.

Renoir – a survey of the life's work of the artist who, more than any other, has come to be seen as the quintessential Impressionist. Yet this easy labelling is now shown to be a gross and misleading over-simplification. In Renoir, once the label falls away, we find a wonderfully instinctive painter, aware of what his fellows were doing and responsive to it, but never the creature of theory, analysis or programme. The later works, hitherto considered so difficult, *stand* as major works in their own right. Organised by the Arts Council and sponsored by IBM, this fascinating and beautiful show goes on to Paris, where it will be much extended, and to Boston.

PARIS

Hans Holbein the Younger (1497-1543): Thanks to the acquisitions by Louis XIV, the Louvre boasts one of the richest and rarest collections of the court painter of Henry VIII. Five of his masterpieces, portraits of Erasmus and Anne of Cleves among others, retrace his artistic development, accompanied by several drawings of equally prime importance. The exhibition is completed by paintings from the royal collections thought, mistakenly, to be by Holbein. Louvre, Pavillon de Flore, Porte Jaujard (260 3926). Closed Tue, Ends April 15.

Odilon Redon. Some 500 oils, drawings and pastels given by Ari and Suzanne Redon show the symbolist painter's anguished isolation from the mainstream of impressionist painters while he follows the torments of his imagination and the inspiration of his dreams. Musée d'Art and Essai, 13 ave President Wilson (723 3653). Closed Mon. Ends April 30.

ITALY

Venice: Museo Correr: Cezanne, Monet, Renoir, Van Gogh, Gauguin, Matisse and Picasso from the Hermitage in *Leningrad and the Pushkin* in Moscow. Ends April 14.

Naples: Museo di Capodimonte: 'Naples in the 17th Century': for lovers of Baroque. An exuberant exhibition of paintings, marbles, silver and furniture dating from a period *when the city was the second in Eu*rope after Paris. Ends April 14.

Herculaneum (Naples) Villa Campolieto: An exhibition entitled Terrae Motus – of modern paintings which are the beginnings of a new contemporary arts centre here: works by Warhol, Pistoletto, Beuys, Mapplethorpe, Twombly and Haring. Until April.

NETHERLANDS

Amsterdam, Van Gogh Museum. A large selection from the holdings of the city's Stedelijk Museum provides a comprehensive survey of the *"Dutch identity" in art since 1945*: from Cobra and the Informal Group, via Zero and conceptual art, to the New Realists and the exuberant expressionism of the emerging generation. Ends April 15. (The permanent Van Gogh exhibition has moved *to the top two floors for the* duration).

NEW YORK

Treasures from the New York Public Library: 280 works chosen from one of the five best library collections in the world may cover America better than Europe, but the inclusion of a Gutenberg Bible, the Tickhill Psalter and French bindings supplements Americana, such as examples of Melville's work, announcements of the discovery of New York, and one of the earliest globes. Ends May 24. (42nd & 5th Av).

WASHINGTON

National Museum of American Art: 49 works by five 19th century black artists highlight a store of a little-known area of American art. It reminds the world of Joshua Johnson, the first recognised black American portrait painter; Henry Ossawa Tanner, a student of Thomas Eakins and neo-classical sculptress Edmonia Lewis. Ends April 7.

CHICAGO

Art Institute: 82 great architectural *drawings cover* the last five centuries in this show lent by the Royal Institute of British Architects. Ends Mar 31.

TOKYO

Alex Colville, Canadian realistic artist who limits his output to three major works a year exhibits 35 paintings. Tokyo Metropolitan Teien Museum. Ends Mar 21 (443 2021).

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a *long run of his funny as well as* touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

CHICAGO

Riches to Ragtime (Pheasant Run): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with *O. Henry characters*. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic thing of war, thrilling use of the Olivier's arena architecture, Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles an ensemble. (928 2252).

The Hired Man (Astoria): Worthwhile new musical of Cumbrian agricultural and war-time life, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with a high standard of singing and musical direction. Lyrics and book less secure. (734 4287).

Little Eyolf (Lyric, Hammersmith): Ibsen's powerful drama of retribution strongly acted by Diana Rigg, Ronald Pickup and Cheryl Campbell but flawed by a pedestrian design. A great play not seen in London for 30 years. (741 2311).

The Lonely Road (Old Vic): Anthony Hopkins and Samantha Eggar in Schnitzler's affecting play of memory and regret, old age and lost love, played, a little obviously, as a Freudian casebook. Amid all the alienatory mumbling and white screens, Hopkins has a few strong moments of still, expressive desolation. Again, a collector's item. (928 7616).

WEST GERMANY

The Mousetrap by Agatha Christie, directed by Brian Steely, with a cast including: John Adam-Baker, Penelope Charteris, Fiona Evans, Alan Goodson, James Hagan, Yvan Hall, Maxine McFarland and Brooks McKay. The English Speaking Theatre, Frankfurt, Hamburger Allee 45 (069-77 74 66). Closed Mondays.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday March 8 1985

The corporate raiders

THE CONTROVERSY over the attacks by raiders on large American corporations has been interrupted by the latest deal through which Phillips Petroleum has extricated itself from the clutches of Mr Carl Icahn—not long after wriggling out of the unwanted embraces of Mr T. Boone Pickens.

Such events raise serious questions about the relationship between a company and its shareholders. But they also emphasise the differences which persist between Western economies. In Germany and Japan contested take-overs are generally unacceptable. They are an Anglo-American phenomenon, rooted in the nature of the national capital markets

In contrast to common attitudes in Continental Europe, the UK and the U.S. adopt the position that company boards are most exclusively responsible to shareholders. But in practice this relationship has been weakened by the great size of many companies and the institutional ownership of the bulk of their shares.

In such circumstances managements do not have any *great sense* of identification with the objectives of their share holders. Fund management firms in turn do not possess either the staff or the expertise to solve problems of underperformance by the companies *in which they hold* shares. It is much easier to sell out and so the takeover bid becomes a widely used device to cure corporate woes.

If this is done in an orderly way bq companies which can apply the necessary managerial expertise the process is defensible and even healthy. In the U.S., however, the takeover game has moved into a troubling phase, with the appearance of raiders who often do not even pretend to have objectives *other than to make a quick* profit.

The antics of the raiders are now forcing a growing political debate about the legal framework for take-overs—both in terms of the tactics used by bidders and the extraordinary defensive stratagems employed by vulnerable companies.

Such problems have been handled better in the UK, where the Take-over Panel has been able to enforce a sophisticated and flexible voluntary code. But the U.S., because of the sheer diversity of its markets and the complex interrelationship between federal and state laws, has had to adopt a very legalistic approach. It takes a legal system years to catch up with changes in market practices. A self-regulatory system, in sharp contrast, can impose changes in the rules almost immediately. Yet the Take-over Panel is not a model that the Americans could emulate.

The danger, rather, is that Britain will become more legalistic in this area as extra statutory backing is applied to investor protection.

It is not yet clear whether the U.S. Congress will impose new curbs on the raiders. The important principles are that all shareholders should be treated fairly and that they *should be given* time to consider and vote on proposals for takeovers or major disposals of assets. Beyond this, the large institutional shareholders should be prepared to take a long-term view of the companies in which they invest and to forge a constructive relationship with them; in this context the emergence of a new and influential grouping of U.S. investing institutions is a hopeful development.

A new vision for Europe

THE French President, M Francois Mitterrand, has provoked a nervous flutter in French and European dovecotes with his ideas for a referendum on the enlargement of the European Community and the direct election of a "President of Europe."

The reported project bears the familiar Mitterrand hallmark, a mix of high-minded idealism and hard-nosed realism. Those who see in it only the former forget that M Mitterrand is a consumate politician and, what is more, a politician with his back to the wall.

On the eve of local elections, which are seen by all French political parties *as a pointer* to next year's parliamentary election, the fortunes of the President and the Socialist Party, which is his power base, are at a low ebb.

It is, of course, too late for President Mitterrand to influence the results of the cantonal elections, the first round of which takes place on Sunday, by burnishing his image as European statesman and *fountainhead of new* European ideas. But his latest project must be seen in a slightly longer-term context—the run-up to the general election of 1986.

Whether M Mitterrand's ideas would prove profitable for himself and the Socialist Party in domestic terms is, however, doubtful and that may explain why they have been launched very much as a trial balloon. The *history* of referenda in France since the foundation of the Fifth Republic in 1958 should give the President pause.

General Charles de Gaulle departed from the political scene because of the less than con*vincing result of his* referendum on regional reform, while his successor, President Georges Pompidou, was seriously mauled in the 1972 referendum on the enlargement of the European Community through Britain's entry.

The direct election of a President of Europe raises so many questions that it can almost be described as a gimmick at this stage of the European Community's development. What, for instance, would be the point of having a referendum on this subject in France unless all the other member countries were agreed on such an election? What would the relationship be between a European President and the existing Community institutions — the Council of Ministers, the European Commission and the European Parliament — to say nothing of his relationship to the governments of member states?

Yet, whatever reservations there might be about proposals which have not yet been spelled out in detail, it would be churlish to see them only in the light of domestic French politics.

M Mitterrand's genuine European idealism is not in doubt. He has made a considerable contribution to the building of the European Community, not least through the role he played in finding a solution to the budgetary quarrel between Britain and its partners. The French President is not the only man to have ideas about the future of Europe, but he is one of the few to be able to convey a sense of vision.

That has been the level at which British statesmen have often felt uncomfortable. Mrs Margaret Thatcher, the Prime *Minister, and Sir Geoffrey* Howe, the Foreign Secretary, are right to stress the need to complete the practical side of the Community, such as the abolition of remaining internal barriers to trade. But the prag*matic and more idealistic* approaches are not mutually exclusive. They should be complementary and capable of firing the enthusiasm of a new European generation.

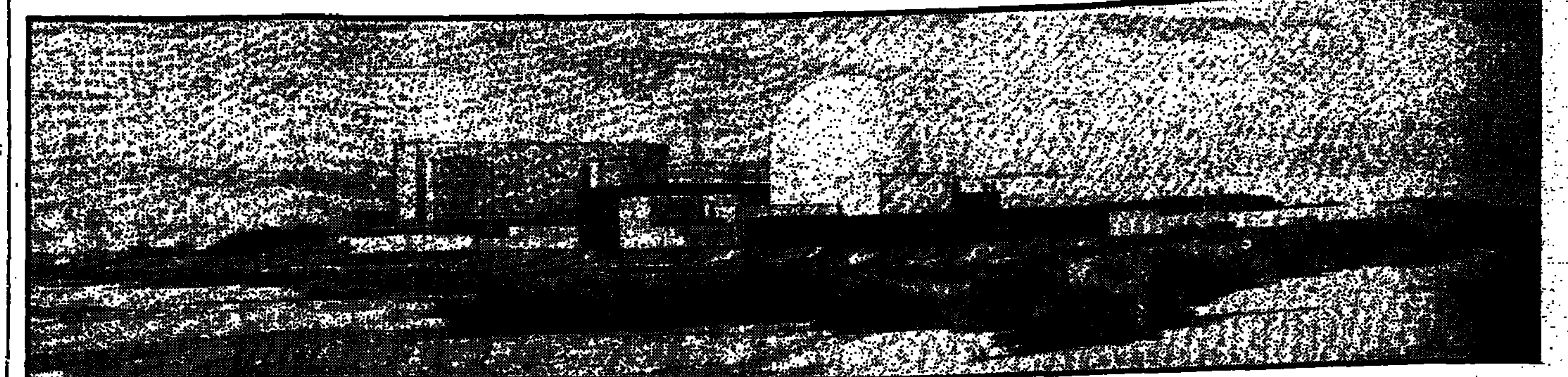
About-turn on Lonrho

HOW Lonrho would manage House of Fraser's department stores if it obtained control of the company is "a matter of commercial judgment about which we do not find it necessary to form a view," according to the Monopolies Commission's latest report. That phrase should be inscribed in large letters on the desk of every Commissioner. He or she should not be asked to judge whether Mr R. W. Rowland, Lonrho's chief executive, is a dynamic entrepreneur or an erratic empire-builder. The Commission is, or should be, concerned with competition.

The Government's present merger policy is not to refer mergers of this sort—that is, conglomerate mergers whose impact on competition is slight or non-existent—to the Monopolies Commission. That is all well and good, but the Government cannot bring itself to change the Fair Trading Act in such a wey as to *preclude* such references. Presumably Ministers want a reserve power to save some British treasure—a Sotheby's, an Illingworth Morris, a Davy International—from falling into undesirable hands.

As long as this power exists, it will be used. The Commission will be distracted from its primary task of maintaining and promoting competition into making judgments about the qualities of individual businessmen—judgments which, as the three Lonrho reports show (the first was on the merger with Scottish and Universal Investments in 1979), can be highly subjective and variable.

SIZEWELL B INQUIRY ENDS



An artist's impression of the Sizewell B nuclear power station next to the existing A station (left) and, below, some of the objectors at the inquiry

A 16m-word nuclear fall-out

By Ian Hargreaves

FARCE, perhaps, theatre certainly. Inside the 800-seat Snape Maltings concert hall on Tuesday, there were eight people on stage and three in the audience.

On stage, Lord Silsoe, QC, counsel to the Central Electricity Generating Board, was in the middle of a six-day *speech, reading from a pile of* documents which summarise the board's case for building a £1.2bn pressurised water reactor at Sizewell, six miles away on the Suffolk coast.

His words are followed in the text by an official shorthand reporter, who notes any deviations, and by Sir Frank Layfield, who for the last 26 months has spent most of his waking hours sitting behind a baize-*covered* table listening to 16m words.

Yesterday, as the inquiry ended with a brief re-appearance of the TV cameras, Sir Frank was at last free to pack his bags to return to Oxford where, with his 15-member secretariat and four academic "assessors," he will labour to produce a report, which the Government will then use as a basis for decision some time next year.

Lord Silsoe, who looks like a Church of England sidesman and whose style is more parish priest than Perry Mason, is not thrown. A veteran planning barrister who represented British Nuclear Fuels at the 1977 inquiry into the Windscale nuclear re-processing plant, he seems content to be locked in lawyerly verbal sport with an old adversary. Sir Frank acted for the Town and Country Plan*ning Association* at *Windscale*.

The Sizewell inquiry has been important for many reasons, not least the evolution of the inquiry system itself as Sir Frank has deepened the penetration of the investigation by hiring his own QC, Mr Henry Brooke, to cross-examine witnesses; commissioned his own research and brought in his own experts, including Sir Alistair Frame, chief executive of Rio Tinto-Zinc, who delivered a sharp critique of CEGB project management.

Such interventions have provided several of the inquiry's highlights and perhaps turning points; another was Sir Frank's decision, *following* evidence from the Norfolk Labour Party aboutt he merits of the British *advanced gas-cooled reactor* (AGR) to invite a contribution from the South of Scotland Electricity Board. The SSEB argued that if the PWR is built, there will never be another AGR built in the UK—*an outcome it strongly opposes.* The CEGB had not expected to fight a fellow pro-nuclear utility as well as Friends of the Earth at the Maltings.

In all, the inquiry has cost between £15m and £25m and has heard from 200 witnesses: among them the Mayor of Harrisburg, whose Three Mile Island PWR came to grief in 1979, stiging the U.S. nuclear power industry and letting loose a ghost which the CEGB has sought assiduously to bust at Snape Maltings.

With a broad remit in hand, Sir Frank has been a patient, his critics in the electricity industry would say too patient, *inspector. Of the 340 days* which have passed, 50 were spent reading proofs of evidence by witnesses, 100 on the economic justification for the power station, 20 days on local environmental issues and 130 on safety. The final 36 days were devoted to closing submissions. The CEGB alone submitted 1,300 documents for consideration out of the 5,500 which now comprise one of the best energy libraries in the world.

The argument has ranged with fabulous breadth.

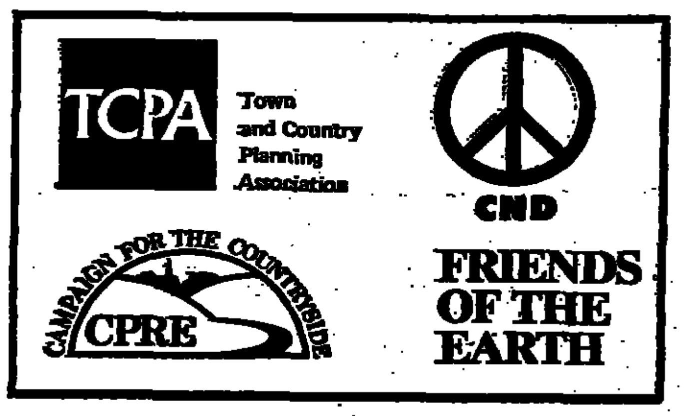
But, when Sir Frank tries to put on one sheet of paper the essential points upon which his *report must focus, he will* have two main headings and a string of subheadings along these lines:

- Safety. Is the Westinghouse PWR, much modified from its Three Mile Island form, a safe design? Can it be operated safely by human beings? Does the building of the Sizewell B PWR contain implications for broader nuclear industry questions, such as the vexed issue of storing radioactive waste and low-dose radiation exposure of power station staff.
- Economics. Is Sizewell B needed and is it a good buy in comparison with alternatives, such as coal stations, AGR, imports, investment in conservation or a mix of all four? Under this heading, Sir Frank must *decide whether the CEGB is* likely to be able to build the plant to cost and time, questions which involve passing judgment on the CEGB's re*vamped* project management system. He will also examine the board's assumptions about economic growth, exchange rates and fossil fuel prices, which have been subject to widespread attack at the inquiry.

Outside these two headings, the safety issues of nuclear power. The CEGB, however, has had a good inquiry over the design of the PWR and the *sophisticated ergonomics* of operating the station.

A number of FoE witnesses challenged the mathematical basis of CEGB risk factors, but claims that one set of research produced a risk factor of 10 to the power minus four, compared with 10 to the power minus six, hardly seem likely to sway public opinion or the *inspector*.

Wider safety issues—the dumping and transport of



waste, for example — were pressed strongly, against a background last year of a highly publicised radioactive leak from Windscale (now called Sellafield). Important as these issues are in nuclear power's currently low standing—around 45 per cent of the population is in favour compared with 60 per cent five years ago, according to internal industry polls—they hardly appear sufficiently specific to the Sizewell case to affect greatly the tone of the Layfield report.

Sir Frank seems certain also to comment upon the relationship between the CEGB and Nuclear Installations Inspectorate, whose task it is to vet the PWR design and issue a safety licence. Sir Frank has ben visibly irritated by the fact that a 79-point checklist of safety items has been under discussion between the CEGB and the NII throughout the inquiry and has even today not been entirely cleared—19 points are still outstanding.

Friends of the Earth has made much of the fact during the inquiry that ministers promised to Parliament that the Sizewell inquiry would not be held until a proposed safe design was available for public scrutiny. The group called for the inquiry to be abandoned on these grounds, arguing that it was impossible to challenge the safety case when things were in such a state of flux.

There is no doubt that the public is most concerned about

On economic and management issues, however, the CEGB was pressed hard and to some effect. The nub of the board's economic argument is not that Sizewell B is needed immediately, but that its economics are so attractive that it should be ordered at once in order to allow it to displace older plant from the system. In the language to which Sir Frank has become accustomed, the net avoidable cost of keeping older plant is greater than the net effective cost (NEC) of building Sizewell B.

Objectors, led by the Town and Country Planning Association and the Council for the Protection of Rural England but strongly supported by the Electricity Consumers' Council (not *an objector, but a participant*), produced a range of experts who argued that the CEGB, even in its central case (scenario C), had exaggerated likely future fossil fuel pricet and the decline of sterling against the dollar—the effect being to make oil and coal as generating fuels appear unecomonic against nuclear.

Scenario C suggests GDP will grow at 1 per cent a year to the end of the century and that by then the price of coal in 1982 money will be at least $70 a tonne (almost double current prices) and sterling will be at $1.33.

Doubt was also cast on the *board's estimates of the cost* of building Sizewell, which objectors put at between £1.35bn and £1.7bn, pointing to the record of cost over-runs on power station contracts in the 1960s and 1970s. The consumers' council concluded that far from having a negative NEC worth £60m a year in savings to the CEGB, Sizewell B would place a net additional cost on the system of £25m a year if it was built before it was needed.

The rival forecasts used by the objectors are certainly plausible enough. Indeed, events during the course of the inquiry have shifted opinion generally in favour of a more cautious view on rising oil and coal prices.

The objectors were also able to point to the board's own analysis of generating costs, presented to the inquiry, to show that on the basis of hard experience so far, coal stations show consistently lower "whole life" generating costs than existing Magnox or AGR nuclear stations, in part because of cost over-runs on some nuclear *installations*.

In his final summing up, Lord Silsoe conceded that if the inspector heeds rival fossil fuel and capital cost projections, the board would be in difficulty. "One needs both low fossil fuel prices and adverse forecasts of plant parameters to knock Sizewell B out of the ring. That is a possible combination, but an odd one to back as a most likely outcome."

Fossil fuel prices, however, are outside the board's control; plant costs are not, and it was here *that* Sir Alistair Frame's role in the inquiry was played out. Sir Alistair, a former nuclear power engineer, told the inquiry that past project management had been an abysmal failure and that there should be a shake-up. The CEGB responded with a shake-up, effectively taking project management lead on Sizewell B from the National Nuclear Corporation, and saying it had intended to make the changes anyway. The board, however, resisted Sir Alistair's argument that a foreign project manager with PWR, construction experience should be brought in to run the construction and engin*eering phase*.

But one series of events in the last two years has gone in the board's favour—the miners' strike. As Sir Walter Marshall, the board's chairman, spelled out loud and clear yesterday, the dispute has made the case for reducing CEGB dependence on UK coal from its present 80 per cent stronger than ever.

Because it was so concerned to promote Sizewell B as a free-standing economic and case, the board's early evidence paid little attention to this point and, indeed, it was board policy to be coy about subsequent investment intentions beyond Sizewell B.

In the *last* few weeks all that has changed. The board now talks openly of a family of five to six 1155 MW PWRs—accounting for most of the 9,000 MW of additional capacity the board thinks it needs to order in the next 15 years. Its objective is to reduce coal to 40-50 per cent, with the same shares for nuclear.

These, however, are arguments for next year, after the *promised Parliamentary debate* and Government decision on Sizewell B. In the meantime, Sir Frank must descend into his pool of 16m words.

Men and Matters

Designs on robots

Collaboration in technology between Britain and Japan may be all the rage in political circles—but the concept gets short shrift at Taylor Hitec, a small engineering company near Manchester.

The company, a *specialist* in remote-controlled equipment to repair the insides of nuclear reactors, is little impressed by the formal agreement between Britain and Japan to share technology in the area of robotics. It has just turned down the fifth request in little more than a year from a party of Japanese engineers who wanted to visit its plant.

"There is a thin dividing line between the exchanging of informaion for mutual benefit and industrial espionage," argues the British company in a strongly worded statement on the flurry of attention it has received from Japan.

Behind this is a bitter episode a couple of years ago when Taylor Hitec spent £25,000—including a visit to Japan to explain its ideas—in bidding for a £2m order to supply hardware to maintain Japanese nuclear power stations.

The contract later went to a Japanese company and Derrick Hunter, Taylor Hitec's managing director, says there is "more than a hint of suspicion" that the Japanese copied his company's ideas in designing their equipment.

Since then the British company has been bombarded with requests from Japanese companies and government officials to be allowed into *its* unprepossessing factory in unfashionable Chorley.

Each time, the bids *for* entry have been turned down—though Taylor Hitec has relented slightly in recent weeks and has agreed *to talk to the next party* of engineers from Japan which arrives in Britain next month. The talks will, however, take place *in* a London hotel, well out of the way of the novel kinds of hardware that are under development in the Chorley plant.

"Fancy Lord Bridge getting all that information in three days—sometimes takes me longer to get directory inquiries"

Bottoms-up

While politicians and econo*mists buff and puff, and journa*lists pursue their eternal mission to explain, it is often the Letters to the Editor column in this paper which reveals the matters nearest to readers' hearts.

The *most* spirited and enjoyable correspondence for some time has been on whether beer should be drunk from a straight glass or a mug with a handle.

I, therefore, hasten to bring you the news that Vaux of Sunderland, Tyne and Wear, a famous Northern brewer, has introduced a two-pint glass into its 70 tied pubs.

The advertising line is, "Down a double-up. Are you man enough for a Vaux double-up? Can you handle it?"

To which the director for the north east council for alcoholism, Peter Rorstad, replies, "This is a contravention of advertising guidelines. A brewery should not promote alcohol on the grounds of manliness."

Can it be that *what matters* is the contents of the glass rather than the glass itself?

Big heart

Next *to making money—which* John James has been very good at during his 78 years—this former miner's son appears to enjoy giving it away.

He has made a series of charitable and benevolent gifts *totalling more than £10m* during the last seven years. Yesterday he was on the line from Florida to arrange a money transfusion to keep open the heart unit at London's Guy's Hospital.

Lewisham and Southwark Health Authority arranged a four-month closure of the unit to try to bring its spending back within planned limits. At the same time the authority appealed to the Government to make *more money available for* open heart surgery work

Now James has defused what promised to be a bitter political row over the allocation of health funds by promising £272,000 to keep the unit open.

His gift will mean *that* 180 people on the hospital waiting list will have the chance of heart operations.

James came to money quite late in life. After 12 years in the Royal Air Force, he opened a radio shop in Bristol after the war. He was then over 40. But his flair for retailing soon showed and he went on to develop, and sell, several businesses.

Before making his donation to keep the Guy's unit open he checked with the surgeon in charge to find out whether it was true that patients had died last year for lack of funds. Told that this was so, James promised the money.

He said in Florida yesterday, "At my age anything to do with the heart interests me. If you had the money wouldn't you give it?"

Cash flow

If yesterday marked Barclays' first rights issue for nearly 25 years, it was the first time *ever* that Britain's largest bank had served champagne at its annual *results announcement* ceremony in Lombard Street.

With £500m on the way from shareholders and record profits of £655m, it could afford it. But the jollities concealed a sadder moment. Barclays may now be the UK's most strongly capitalised bank, but it is no longer the biggest profit-maker, having been overtaken by NatWest which reached £671m on Tuesday.

Sir Timothy Bevan, the chairman, was philosophical about being toppled and described his reaction in terms of his favourite pastime, sailing.

There are two prizes in sailing races, he explained, amid puffs on his pipe. One for the first boat across the line, which is usually the biggest and one for the fastest based on handicap. "We may have missed the line honours," he said. "But I think we still win on handicap."

Whether this means Barclays will now match NatWest and offer a ceremonial lunch as well, we will learn next year. On Tuesday, NatWest's chairman, Lord Boardman drew smiles by railing against "free lunches" in his prepared speech and promptly inviting the assembled company to join him in the dining room upstairs.

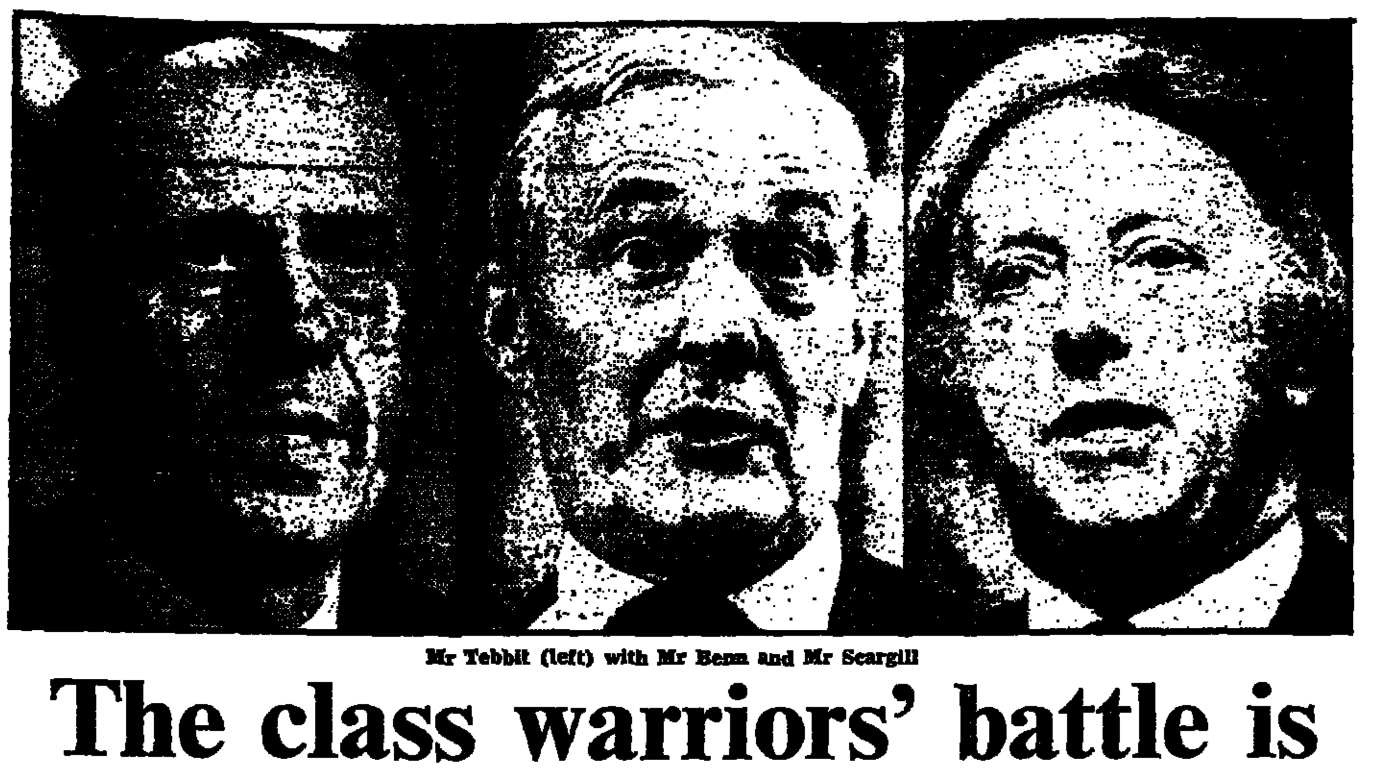
Water torture?

The Spectator apologises for the non-appearance this week of its City column written by Christopher Fildes.

Its man is said to be, "recovering from an injury sustained at a health farm."

Observer

POLITICS TODAY: AFTER THE MINERS' STRIKE



Mr Tebbit (left) with Mr Benn and Mr Scargill

The class warriors' battle is over, but the war goes on

By John Lloyd, Industrial Editor

IT IS important that the battle which the miners have just lost (a judgment on the *war* must be in suspense) was led by the most class-*conscious* leadership group in the Labour movement since the war. It was not just another industrial struggle of the win-some-lose-some type; it was a very serious political movement and *remains* so.

Class fighters, like Mr Arthur Scargill, Mr Peter Heathfield, Mr Mick McGahey and their activist supporters have a collective notion of the achievement of Socialism which, though differing one from another in many important ways, agrees that it *represents* the rule of working class politics over society. In their view, that means public ownership of all substantial enterprises, greatly extended union rights, a far higher provision of public services, a neutralist foreign and defence policy and an opening of at least the *possibility* of alliances with the Communist countries.

They are not old-styled *Leninists* for whom bourgeois democracy is a total sham, though many miners' leaders, including *some of* the present ones, did believe this and Mr Scargill comes close. But they do believe that extra-parliamentary movements are of at least equal importance to parliamentary democracy. In particular, the force of a militantly-led mineworkers' union, willing to exercise its industrial power to the limit. In "bourgeois terms" any Labour Government created and sustained by the success of such an exercise would be undemocratic. In class terms, it would be a supreme expression of the will *of the most* conscious organised workers.

The strike now over inevitably raises *such issues because*, for a class conscious leadership, all industrial matters are inextricably political ones. The chairmanship of Mr Ian MacGregor threw this up in the starkest terms. He wishes to make the National Coal Board more efficient by closing old, unproductive pits, and opening rich new reserves for highly mechanised mining; this should mean, if the Board does its job properly, a cut in the mining labour force, from just under 190,000 now to around 100,000 in a decade. Mr Scargill has warned of this and he is quite right.

In doing so, Mr MacGregor—and we must presume his successors—will have a secon*dary effect*. They will largely evacuate coal mining from some of the most class-conscious areas South Wales, Scotland, Kent — in favour of hte moderate areas like Nottinghamshire and Leicestershire. Therefore, the proletarian vanguard will (a) be cut down to a union little bigger than that which presently organises specialists in the civil service; (b) see the rise of the "technological miner" who gets big money, understands computer software and works on an individually tailored incentive scheme, which makes national wage agreements progressively more irrelevant; and (c) lose the physical expression, the "red bases" of its radical political tradition. The little *Moscows* of South Wales and West Fife—Maerdy and Cowdenbeath—will be preserved by *and for post-graduates.*

No wonder the NUM leaders wanted to stop this dead. Trotsky, in his racy account of the 1905 putsch which prefigured the 1917 Russian revolution, wrily *comments that* Russian social democracy was based on an industrial working *class which was at the very most* 11 per cent of the population (possibly half that): hence one cause for its defeat. But at least, Trotsky's base was then widening: the Scargill-Heathfield McGahey troika saw *their* base shrinking and therefore had to act.

If, for them, the 1984-85 strike turns out to be a 1905 with a 1917 to follow (perhaps a little *sooner*) *new alliances* had to be made—and they were. Gays and lesbians for the miners were only the most culturally improbable of the support groups: various ethnic organisations, women's groups and constituency Labour parties and the many Trotskyist factions inside or outside of them all provided the miners with a vigorous, efficient and national network of support and at least financial assistance. The "radical dispossessed," what Marx dismissed as the lumpen intelli*gentsia*, had their own reasons for feeling alienation from the state.

For the Labour Party in its now continuous struggle to retain a shaky hegemony over the British Left this could mean one of two finally balanced outcomes. First, the network of "*new alliances*" *led* by the charismatic and apparently unbowed figure of the NUM president will continue to *pose* a threat to, and erode the base for, democratic Socialism. Being the mirror image of Thatcherism, Scargillism will have an appeal to many, especially the young who wish to see society change and perceive little opportunity for doing so through, for *example, the young* Fabians. The right-wing union leaders will not be able to control their militants because the Government deprives them of a firm ground on which to stand—there is nothing to be got from tripartism: nothing but cuts in public services and exhortations to cut wages if employment is to be increased. Thus the constituency Labour parties, increasingly divorced from the ordinary working class and still swooning over the whiff of idealised prolaterian struggle in which they headily participated, will increase the volume of their *anti-leadership* complaints.

The second view is that the defeat of the class-conscious elements has been so clear, so unequivocal that no one can fail to get the message save those few on *Labour's back-benches* whose class analysis roughly parallels that of the NUM leaders—or *more* accurately tails in behind it. There are no more than a score of these and while they are *led* by Mr Tony Benn and Mr Denis Skinner, and will get more than their fair share of air time *their* 1905 putsch has left the Winter Palace quite unharmed. The *outside left is developing its* own right—Mr Tony Sawyer of Nupe, Mr David Blunkett of Sheffield, Mr Michael Meacher — and these men and their considerable following may cluck and tut that Mr Kinnock did not do more sooner but they recognise that he is unassailable, should remain so and *must get their support.*

The hard truth about both of these views, however, is that they *depend very greatly on* the actions of the Government as to which of them will prove the There are lots of good chaps more correct. In some respects the second finds some point of accord with the interpretation offered in a speech at Conservative Central Office on Tuesday night by Mr Norman Tebbit, the Trade *and Industry Secretary*. Mr Tebbit, who has remained since his days at Employment as the *only* Cabinet member with fresh and interesting things to say (at least publicly) on unions, forecast that the TUC might now be able to put behind it the insurrectionary road because of is abject failure, and that from here on in, strikes would be driven by the members' freely expressed wishes, not leaderships' political aims.

Mr Tebbit, who has moved in the past two years from the hammer of the unions to their protector *within Government* is now proposing a new relationship between Government and *TUC—not one of equals or* (as he and others saw it) of overweaning estate dwarfing central *authority, as in* 1970-1979 but of one interest group among others to be heard and consulted. His own reforms, especially the 1984 Trade Union Act which enjoins ballots on strikes, leaderships and political funds, will make further actions like the miners' strike called without a ballot liable to crippling court harassment from the outset.

He could thus make the prophecy that we may have seen the last of this kind of *engagement for some time.*

On this view then, we could be in for a new "steady state" *of deferential* but *dignified* industrial relations, in which union leaderships will remain ambitious for their members' material interests, but no longer prescriptive as to their political intents. As Mr Tebbit realises, the Labour movement will remain as fissiperous a coalition as his own side of politics has proved in recent years and the constitutionalists within Labour's rank will sometimes *not wish to differentiate them*selves too sharply from the insurrectionists. But they will not wish to again, as they did inthe fateful Congress last year, give paralysed assent to the mineworkers for every kind of mayhem and promise to support it.

But behind Mr Tebbit and perhaps within him, too, is a rougher tune. It goes like this. The miners and the far Left tried to sink us, and we sunk them. The soft Left and the inside *Left* and the wet *Liberals* and the preachers all helped them in that endeavour wittingly or witlessly. We won. *They* had better know it. Now, in particular, is the time to crack on with getting rid of the obstacles—especially the human obstacles—to a more efficient, more flexible and richer society. among the workers, but they can be greviously misled. Now is the time to make sure that the unions lose their grip; other*wise what will 12 months agony* have been for?

Between the continuing *struggle of the class warriors* of the NUM and the Thermidor now proposed by their ideologi*cal foes*, lies *both* a *mining* industry and a Labour movement which has found no sure ground with its members, supporters and voters on which to stand. A battle *is* over; the war *does* continue.

Malcolm Rutherford is abroad

Lombard

A warning for Mrs Thatcher

By Peter Riddell

BRITISH politics is now entering a more fluid phase. Among politicians of all parties there is a feeling of uncertainty which both contradicts any supposed mood of triumph the Government might *have with* the end of the miners' strike and raises questions about Mrs Thatcher's current approach.

The latest batch of opinion polls suggest that the post-*Falklands pattern of politics* has begun to shift. Conservative support has fallen, for the first time in three years, to around 37 to 38 per cent. This has mainly helped the Alliance which is now standing at about 24 to 26 per cent, though in the last two months there has been some evidence that *Labour has started to climb out* of its miners' strike doldrums at 35 to 37 per cent.

According to the latest Market and Opinion Research International survey in the Standard, the Tories have been losing support especially among the very groups (skilled workers, trade unionists and home-owners with mortgages) that were the basis for their gains in 1979 and 1983.

Equally significant, Mrs Thatcher's popular appeal may be declining. It is always difficult to write about her without appearing partisan, such is the impact of her conviction style of politics. However, the polls point to a steady increase in voters' dissatisfaction with Mrs Thatcher's performance. A recent MORI survey noted a sharp deterioration in her rating as a leader and in the public's belief that she understands Britain's problems. Her main consolation is that Mr *Neil Kinnock's* rating *has* dropped even more in the past year. These findings are backed up not only by the evidence of fierce hostility to Mrs Thatcher personally in recent industrial disputes but also by what many Tory MPs report is said to them on the doorstep by previous supporters.

This may seem perverse. After all, Mrs Thatcher is at the height of her powers, dominating both Whitehall and Westminster. But the very qualities which have made her one of the most remarkable British political leaders this century have also produced dislike, even hatred. Her undoubted courage and energy have led to achievements which eluded her predecessors, particularly in crises. But at other times these quali*ties can, and may increasingly*, be seen by outsiders as stubbornness and hectoring.

Mrs Thatcher may have carried on being a crusader for too long. The public's mood may be shifting towards consolidation, just as many of the Government's policies have in practice, and her rhetoric could be out *of step. For instance, Mrs Thatcher's* enthusiasm for all things American (except, of course, for the strong dollar and the Budget deficit) in comparison with Britain's continuing faults may not go down well with the public. Indeed, her emphasis on the virtues of the U.S. has coincided with a growing disillusion with *the U.S., and particularly President* Reagan, among British voters.

Mrs Thatcher may be right to argue for the creation of more of an enterprise culture but there is an ingrained conservatism in British society that dislikes such an appeal.

There is, of course, a contrary *view that the surprising* point is not the slippage in Conservative support but that *the Tories are still ahead of* Labour at all. At the same stage of the last Parliament, in the first quarter of 1981, Labour support was 41½ per cent (down from its peak of 50 per cent at the end of 1980), ahead of the Tories at 32 per cent with the newly formed SDP plus the Liberals (not yet the *Alliance) at 24½ per cent. But* the Tories then still had to benefit from the boosts of the Falklands war *and Labour's* bitter divisions of 1981-82.

It is possible that Britain may now be at *one of* those regular turning points when the tide of opinion begins to flow against a government. These points tend to occur well before changes brought about by general elections—in 1949-50, 1962-63, 1972-73 and 1976-77. But, so far, few politicians are willing to bet on anything other than that Mrs Thatcher will still be in office, with a much reduced majority, after the next *election. The charm of politics* remains its uncertainty.

Letters to the Editor

The defence budget

From The Director, Society of British Aerospace Companies.

Sir,—Your leader (March 6) dealing with the problems of the defence budget, queries the need for a home or European defence industry. To my mind the requirement *is self evident*. Not only must we ensure that we are never wholly dependent *for* our defence needs upon the United States and long trans-Atlantic logistics chain, but the aerospace industry alone employs over 200,000 people and is of necessity at the front end of technology. The total spin-off from the aerospace business is too extensive to list more than a few examples here: aluminium and titanium *alloys*; carbon fibres, glass reinforced epoxides and polyester resins; production methods; structures, streamlining and wind effects; heat exchangers and air conditioning; automatic controls and servo-mechanisms; gas turbines, plasma physics and engineering; digital computers, micro-miniaturisation and data ling, etc.

If our task forces had not had the instant support of our own home based defence industry during the Falklands campaign, *they* would never have been able to modify so quickly the sophisticated weapon systems from the needs of the Nato environment to those of the South Atlantic.

No-one should be under any illusion of the vital importance of having our own strong and technologically advanced defence industry to *the* wealth, well being and security of the United Kingdom.

(Sir) John Curtiss.
29, King Street,
St. James's, SW1.

Savings and the GLC

From the Leader, Westminster City Council

Sir,—This letter should help at least some of your readers solve the complicated riddle of Greater London Council savings which was posed by your reporter, Robin Pauley (February 26).

When the GLC has gone two things will happen: GLC responsibilities will be transferred to the boroughs or to other *bodies* nominated by the Government, *in addition* complicated changes will be made to the Government grant system to try and make good the effect of abolishing the GLC precept. Savings in a real sense will result from the first of these changes either if the successor authorities can do the job better or if some of the more far out GLC schemes are abandoned altogether. Londoners will also benefit because the Government itself will take over responsibility for some of the services and will finance them by taxation rather than through the rates. Work we have done at Westminster predicts likely gains for Londoners at between £60-£70m. Savings would be much higher if the GLC stopped acting in ways which add to the expense and difficulty of the changeover.

Other things being equal savings of this size could give Londoners a 3.5p reduction in *their rates*. The *problem* is that this saving will not be distributed automatically between the boroughs, its effect will be totally dominated by what Ministers decide about Government grants. The way the grant system is reorganised will also affect the actual level of savings because of the way it encourages or discourages individual boroughs to spend above or below present GLC levels.

Our local interest in Westminster and the City is to make sure that new grant arrangements (when *they are finally* agreed by Government) do not simply perpetuate the present unreasonable level of rates caused by the GLC precept. This would play into the hands of London boroughs who wish to continue spending at irresponsibly high GLC levels.

The new rates equalisation system is the key to all this as your reporter rightly points out but this time equalisation will effect the domestic ratepayer just as much as the commercial. Getting the new scheme right is really the *brainteaser* of the year as far as ratepayers in central London are concerned. If the *Government* takes a strong line against overspenders, as we hope they will, then certainly ratepayers can expect a much higher level of savings than those quoted in your article.

(Councillor) Lady Porter.
City Hall, Victoria Street, SW1

Abolish the 1965 start point

From Mr D. Clarke

Sir,—In his article of March 2, Clive Wolman underlined the difficulties of reforming our complicated capital gains tax rules. Perhaps the simplest solution has been overlooked.

At twenty years on the relevance of the Budget Day 1965 start point must be brought into question. For the purpose of calculating indexation allowances we have had to accustom ourselves to an April 6 1981 pool price. Should we now not abolish the 1965 start point and substitute 1981?

That capital taxes should be paid on real gains has been accepted. It is *illogical however* not to allow real losses to be taken in the same way. The resulting *real gains could* be taxed at whatever rate the Chancellor feels meets his economic or social needs.

D. R. Clarke.
44 Palewell Park,
East Sheen, SW14.

Arbitration in Paris

From Mr F. Ventris

Sir,—There may be a tendency when drafting an international contract glibly to include in it an arbitration clause drafted: "Arbitration in Paris according to the rules of the International Chamber of Commerce," without appreciating what the consequences may be, especially if one is used to arbitrating in London.

This has just been forcibly brought home to my company when the cost of a one day ICC arbitration before 3 arbitrators, where the amount en jeu was $105,000, amounted to $25,000 or over 24 per cent of the amount claimed. The same arbitration in London before 3 maritime arbitrators would have cost £2,500 at the most. In both cases the parties own legal costs are excluded.

F. M. Ventris
Villa Majorel
rue d'Ifrane, Mohammedia
Morocco

Diesel loco buying

From the Technical Editor, Modern Railways.

Sir,—As a one-time engineer with the company responsible for the most successful diesel locomotives bought by British Rail during its *modernisation* programme in the 1960s, I cannot let Mr Bob Reid's comments (March 2) *on the* relative merits of British and American locomotives pass unchallenged.

During the modernisation programme, British Rail bought untried locomotive designs from *several firms*, such as the previous builders of steam locomotives, with no experience of *diesel traction*. Predictably, many of these designs ran into major problems.

Locomotives were also bought from experienced manufacturers. In the case of my former company, English Electric, diesel locomotives had been designed and manufactured for two decades before the home market started to buy in quantity. The designs sold to BR *were based on hundreds of export* locomotives already in service. As with the export models, the first, and most successful, BR locomotives were designed and manufactured by the company to the customer's specification; they were not designed by the customer's engineers.

Two lessons were provided by modernisation programme experience: if you buy from a firm which knows what it's doing you get a good product, *and if* you buy from novices you buy trouble. Unfortunately, BR applied only the second lesson and its engineers increasingly took responsibility for the design and specification of diesel locomotives, often ignoring or rejecting the know-how of the experienced firms responsible for the successful diesels which, in effect, became subcontractors. For example, in the case of *one locomotive I* worked on, a highly reliable private venture prototype was turned into a complex and unreliable production locomotive by "improvements" imposed by the customer.

Thus, increasingly, BR has bought the diesels which its engineers wanted, specified and designed. That these might not have been the diesels the business needed is now obvious, not least to the engineers now in charge. For BR, however, to use the inadequacies of these locomotives as a stick with which to beat companies which were not given the freedom to produce their own designs is less than fair. Nor can it help the export efforts of British locomotive firms, which last year sold over 70 electric locomotives, of their own designs, to export customers — in competition with European and Japanese firms.

Roger Ford.
8, Russellcroft Road,
Welwyn Garden City, Herts.

Secret source for the Treasury

From Professor D. Myddelton

Sir,—According to the Head of Information in the Department of Energy (March 6), the 2,490 red ballpoint pens in stock represent less than 15 weeks' supply. But can it really be true that on average each of the 1,100 or so people employed in the Department uses up at least 8 red pens each year? I wonder if the Department of Energy is secretly supplying the Treasury, which must require a great deal of red ink in its calculations.

(Professor) D. R. Myddelton.
Cranfield School of Management,
Cranfield, Beds.

FINANCIAL TIMES

Friday March 8 1985

CONGRESSMEN EXPECTED TO CONCEDE MISSILE FUNDS

MX pressure on Reagan eases

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday received an important boost in his campaign to save the MX intercontinental missile after a group of leading Congressmen reportedly decided to defer any full-scale review of the missile until later this year.

The Congressmen included Mr Les Aspin, the influential Democratic chairman of the House Armed Services Committee, who is now expected to cast his key vote in favour of releasing $1.5bn for 21 more missiles later this month.

Mr Reagan kept up his massive lobbying effort for the missile in further sessions with Congressional leaders yesterday, after which he was due to meet Mr Vladimir Shcherbitsky, a member of the Soviet Politburo, at the White House.

Mr Reagan was not expected to discuss details of the U.S.-Soviet arms talks, due to resume in Geneva on Tuesday, with Mr Shcherbitsky, but White House officials said he would appeal to Moscow "to move as promptly as possible" towards an agreement.

The President is expected to give his final instructions to the U.S. negotiating team today, after completing a review of a long and complex list of options for the talks given to him earlier this week.

Officials said Mr Reagan had to decide whether to "stand pat" on the U.S. proposals that were on the table when the previous negotiations on strategic and intermediate-range weapons broke off at the end of 1983, or show signs of greater U.S. flexibility.

Meanwhile, General Bennie Davis, head of the U.S. Strategic Air Command, told Congress that the question of the MX's supposed vulnerability to a Soviet first strike was no longer an issue, partly because "we have discovered the existing silos are harder than originally thought."

He denied suggestions by Senator Sam Nunn, the leading Democrat on the Senate Armed Services Committee, that the U.S. was now veering towards a policy of "launch under attack" for its intercontinental nuclear missiles. "There has been no policy change, none whatsoever," Gen Davis insisted.

Mr Nunn echoed critics of the MX who have argued that its vulnerability means that the missile would have to be launched as soon as a Soviet attack was detected, in order to save it from being destroyed in its silos, under the so-called "use 'em or lose' em" principle.

Nicholas Colchester writes from London: Mr George Shultz, the U.S. Secretary of State, yesterday expressed his concern over the proliferation of chemical weapons. He told the National Academy of Science in Washington that 13 countries now possessed such weapons, against only five in 1963, and that international restraint on their use was in danger of breaking down.

In London, Mr Richard Luce, a British Foreign Office Minister of State, said the recent use of chemical weapons in the Gulf war and the threat posed by the chemical weapon stockpiles of the Soviet Union made it urgent that there be further progress towards an internationally agreed ban on the production and stockpiling of such weapons.

Such a ban is currently under protracted negotiation in the 40-nation United Nations Conference on Disarmament in Geneva. Mr Luce will be addressing that conference next Tuesday, the day the nuclear arms talks between the U.S. and Soviet Union reopen.

Greece to boost defences against Turkey

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE IS to undertake a 10-year, $2.8bn defence modernisation programme for its army, navy and air force to protect itself from "a constant, continuing and growing threat" from Turkey, its Nato ally and neighbour, Dr Andreas Papandreou, the Prime Minister and Minister of Defence, has announced.

A government spokesman said yesterday that the programme was linked to a new defence doctrine that Greece formally adopted in January, based on the belief that the main military threat to the country lay in the east, rather than in the Warsaw Pact countries to the north.

Dr Papandreou, speaking on state television on Wednesday night, said the approval of "the most ambitious defence programme ever – reaching to the year 2000" – by the inter-ministerial Council for External Affairs and Defence, marked "an historic day for Greece."

The perceived threat from Turkey "is our special problem, which unfortunately has not been recognised even within the Atlantic alliance. It is up to us Greeks to ensure the security of our country," the Prime Minister said.

The Socialist Government has withdrawn forces from Nato exercises in the Aegean and made a point of raising the dispute with Turkey over sea and air space rights and other issues in Nato meetings.

The council approved the signature of letters of intent for the purchase of 40 U.S.-made F-16 and 40 French Mirage 2000 combat aircraft, with a future option for 20 additional aircraft. A government official said the deal was worth $2bn. He did not disclose a delivery period for the aircraft, but according to Greek press reports, the letters of intent specify 31 months.

Greece announced that it had settled on the French and American aircraft last November, after almost three years of deliberation. Since then, the Government has continued to negotiate with the manufacturers, General Dynamics and Dassault, over offset terms, including the transfer of technology for parts manufacture and aircraft assembly in Greece.

Final contracts for the sale are to be signed when the negotiations are concluded.

The council approved an additional $800m to update the army and navy. The army general staff is to present its recommendations for modernisation within two months and the council has approved immediate construction of four new frigates and five landing craft, as well as modernisation of five destroyers.

Hitachi to assemble VCRs in Britain

By Jurek Martin and Guy de Jonquieres in Tokyo

HITACHI, one of Japan's leading electronics concerns, is to start assembling 5,000 video cassette recorders (VCRs) a month from July at its colour television factory at Hirwaun, South Wales.

The line, assembling imported kits, will be Hitachi's first in the UK and second in the EEC; it already assembles VCRs in West Germany. Hitachi is prepared to consider complete manufacture in the UK in two or three years' time, depending on demand.

The £1m ($1.085m) investment, which will provide a capacity of 10,000 units a month, will initially create no new jobs, Hitachi officials emphasised in Tokyo, but will remove any threat of redundancies at Hirwaun. The plant currently employs 800 people, a total which, Hitachi implied, the current production of 25,000 colour televisions a month could not justify. Probably 100 jobs could have been at risk.

The decision represents a significant tactical move by Hitachi in the troubled European market for VCRs. An important factor behind it is the weakness of sterling against the yen, which has made straight exports relatively less attractive in a cut-price market.

More significant, however, is the fear that Philips of the Netherlands and Thomson-Brandt of France, Japan's flagging European competition, may be planning new moves to try to secure further controls on Japanese VCR exports to the EEC, on top of the existing restraint programme under which no more than 3.9m sets, including 1.7m kits, may be shipped in the current year.

Hitachi's UK venture is more modest than its West German operation, a major expansion of which was announced only last month. But it does constitute a spreading of the risk if new curbs are imposed; it also confirms the growing appeal of the UK as a safe site for investment in what Japanese manufacturers see as an increasingly protectionist EEC environment, especially in consumer electronics.

The diversification at Hirwaun also implies concern at the viability of colour TV manufacturing, given the saturated state of the market. Hitachi has already cut 500 of the 1,300 jobs provided at the plant when it took over what was previously a joint venture with General Electric Company a year ago.

Background, Page 12

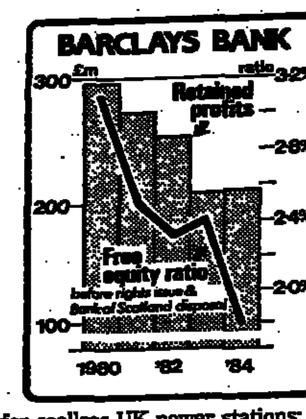
THE LEX COLUMN

Breaking out at Barclays

Prospectively better off by £507m, Barclays Bank must be thinking what a splendid thing is a rights issue. After years of getting boxed into the corner, as its equity base became progressively less adequate, Barclays has freed itself at a single bound. Including the proceeds of the Bank of Scotland sale and of the rights issue, Barclays will become by some way the best capitalised of the clearers. And although the pre-tax profit of £655m for 1984 is not quite as much as some people hoped, it was by no means low enough to spoil the market's appetite for Barclays' equity offering; faced with a deeply discounted one-for-one issue, the shares fell a mere 7p, to 583p.

The increase in Barclays' capital strength is indeed very striking; a free-equity ratio which had dropped to 1.8 per cent rises by a full point. Though the wider base of free capital will not rise quite as far as Barclays' claimed 5.8 per cent of public liabilities – since not all the subordinated debt yet counts as capital – it does reach a very healthy 5.5 per cent. Throw in the likely retentions for 1985, and Barclays could well boast free capital of 6 per cent.

That will give the bank freedom which will be greatly envied by its competitors. Balance-sheet growth which has been reined in over the past year, at least by comparison with National Westminster, could accelerate again – though shareholders looking back over the past few years might wonder if this was the best use for their money. In fact, the level of provision experienced throughout Barclays' lending operations in recent years gives the management's conversion to quality rather than quantity of lending a rather piquant air. In any event, Barclays now has the chance to show itself a reformed character as well as a better-heeled one.



BP

BP's steady improvement in earnings since 1982 is all the more admirable in that it has been achieved amid alarming fluctuations in the dollar price of oil and key exchange rates. Last year, the upstream benefits of a stronger dollar neatly cancelled out the downstream impact, leaving a £100m gain in the translation of Sohio profits. But the tremendous squeeze on refining margins, leading to £50m losses in France and West Germany alone, has concentrated BP's mind no less than the dismal returns on refining fuel oil for coalless UK power stations: BP did well indeed to turn in a fourth-quarter oil trading profit when almost everybody else was in loss, and the slimmed-down operation could at present exchange rates earn 1983 surpluses this year. This will more than make up for a tough year in chemicals.

Income net of stock profits of £1.2bn, although laudable, was not unexpected; but BP did choose to pitch its final dividend above the highest estimate at 30p. BP has every reason to reward its shareholders given borrowings, net of cash balances, of £2.3bn, no more than 26 per cent of shareholders' funds. Since BP's own return on capital employed, even on a replacement cost basis, is not far short of the fixed-interest market, a prospective dividend yield of 9 per cent looks at least good value, and might be more attractive if the equity market stopped worrying its head about the dollar price of oil. The share price rose 5p to 553p.

Commercial Union

It is a fair measure of the depths to which Commercial Union has sunk that yesterday's news of a £72.8m pre-tax loss for 1984 – by a wide margin the worst ever result from a composite insurance company – was greeted in the stock market by a 10p rise in the share price to 189p. The market had been well prepared for terrible figures and was braced, if that is possible, for even worse.

After all the earlier and premature expressions of confidence, yesterday's optimistic statement inevitably rang rather hollow. But, in its own defence, CU can at last point to concrete evidence of rising premium rates on both sides of the Atlantic. After a grim first half, CU may make just enough later in the year to break even for 1985.

The tragedy for CU, of course, is that it may be shrinking its business (a 25 per cent reduction in U.S. premium volume is expected this year alone) just as insurance becomes a safe industry in which to write policies.

CU will be tackling the problems of a rising expenses ratio, high claims from discontinued business and the effect on investment income of a U.S. cash outflow which may total $200m this year.

Whatever happens, CU will probably end up the smallest composite insurance group in the sector. The best argument for maintaining the dividend is that its payment reduces the capital available to an underperforming management. But, by the same token, its overall cost will soon look quite inappropriate for a business the size of CU.

House of Fraser

That the Monopolies Commission has negotiated the delicate U-turn around House of Fraser without colliding head-on with its earlier report is no mean achievement in itself. The discrepancies clearly show here and there and a number of important issues – not least Lonrho's ability to finance a bid without breaking up Fraser – are rather airily dismissed but, in contrast to the 1981 report, the Commission sticks firmly to questions of competition and so comes to a plausible conclusion.

The House of Fraser share price rose 10p yesterday to 410p, suggesting that the market still attaches little credence to the idea of a successful Lonrho counter-offer.

Mathematics would certainly argue against it. Assuming that Lonrho is released from its undertakings, the group would probably need to pay £700m or more in order to defeat an agreed offer which already has 30 per cent of the votes behind it.

On a rough pro-forma calculation, that would leave the combined group with net debt and shareholders' funds level-pegging at around £1.3bn. Even that may be a little generous. Lonrho's cash balances are not the most easily remittable, its year-end debt appears to be lower than the average for the year and its assets are, to say the least, fully valued. A consortium bid is a possibility; if no Sultan comes forward, Lonrho might find a partner interested in taking on – or pulling down – the regional stores. But a division of the spoils would almost certainly be blocked by the Al-Fayeds. A thorny problem.

BOC plans to invest in China

By Christian Tyler in Shanghai

BRITISH OXYGEN announced yesterday that it intended to buy a half-share in a Chinese chemical company, the first investment of its kind in China by any foreign concern.

BOC, a worldwide manufacturer of industrial gases with turnover of £2.3bn ($2.45bn), announced its plans during a British trade mission led by Lord Young, Minister without portfolio.

Mr Richard Giordano, BOC chairman, signed a letter of intent with the Wu Song chemical company, reputedly the largest enterprise of its kind in the country.

BOC might be investing £30m or more subject to an evaluation of the Chinese company's assets. BOC would also contribute technology and its production and marketing expertise.

The British company has similar equity partnership in Japan and Taiwan, and is exploring other opportunities in Asia.

It still has to find a way of converting profits from the venture into hard currency. Mr Giordano said last night: "It is too big a deal and too long-term a deal to have anything but assured repatriation."

The investment, which has been under consideration for about six months, would give BOC a foothole in the small but expanding market in China for gases used in steel, chemicals and electronics industries.

Jason Crisp in London writes: Cable and Wireless, the UK telecommunications group, has further strengthened its position in China with an agreement to provide digital telephone services in the Pearl Delta.

The deal, announced last night, follows an agreement signed at the weekend with the Chinese Ministry of Posts and Telecommunications, which will give the company a leading role in improving the country's telephone system in the Yangtze Delta.

The latest agreement is with the Guangdong Posts and Telecommunication Administrative Bureau

Bundesbank leads quiet reform

Continued from Page 1

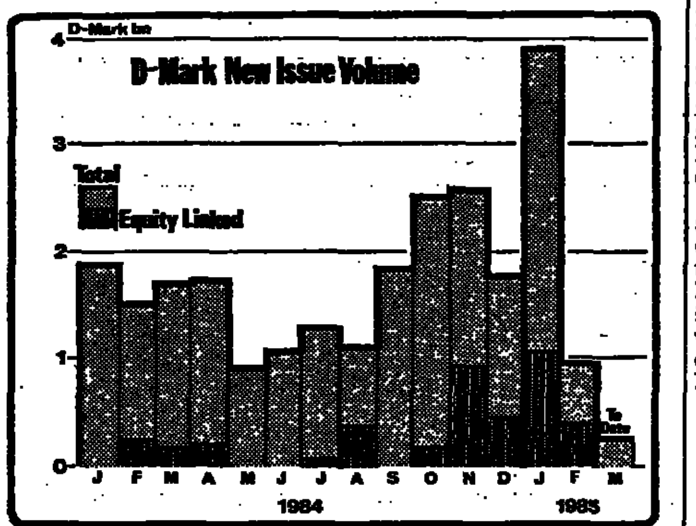
that regulates the size and lays out the calendar of D-Mark foreign bond issues.

The club, a sub-committee of the Central Capital Markets Committee, was set up in November 1968, to try to ensure that there would be no bunching of foreign D-Mark issues that would unduly strain the domestic market. Like its parent body, which dates back to the 1950s, the sub-committee was established with the support of the federal government and the Bundesbank, but without a formal statutory basis – as a means of self-regulation by the banks.

However, the central bank always has a senior representative sitting in on sub-committee meetings and his advice is rarely, if ever, ignored. For example, in the late 1970s the Bundesbank successfully urged the members of the sub-committee to ensure that the Luxembourg subsidiaries of German banks refrained from issuing D-Mark bonds for their parent companies. Again, in 1980 it got the banks to agree to launch no more foreign D-Mark issues for a time, because the D-Mark was weak and capital outflows needed staunching.

The Bundesbank has thus been able to use the sub-committee discreetly to exercise influence; and the club has steadily fulfilled its original aim of keeping the bond issue calendar tidy as market volume has increased. Foreign D-Mark bond issues in Germany totalled DM 19.1bn ($5.6bn) last year. Currently they are running at close to DM 2bn a month against only DM 5.7bn in 1981. Last month, when the sub-committee judged that more paper would overburden the market, it called a temporary halt.

There are drawbacks, however. German banks not members of the sub-committee have to submit their lists of prospective new issues via the six banks in the inner circle (Deutsche, Dresdner, Commerzbank, BHF Bank, Bayerische Vereinsbank and Westdeutsche Landesbank). The non-members do not claim that they fail to get a square deal from the Club of Six – but, by definition, they are not privy to the group's monthly talks, which are said to give a good feel of German banking policies and problems. Some non-members also note wryly



that there are foreign borrowers evidently under the illusion that only those banks on the sub-committee can manage foreign D-Mark bond issues.

As for foreign banks resident in Germany, they are neither members of the sub-committee nor, under a tacit agreement between the Bundesbank and the big German banks, have they been allowed to take on the lucrative business of lead-managing foreign D-Mark issues. The central bank is now keen to revise that agreement.

One approach would be to extend the club to take in big foreign – and more German – banks, but that would create a pretty unwieldly sub-committee. Another option would be to grant foreign banks the same lead-manager rights as German banks, and to co-ordinate the entire issue calendar through the Bundesbank itself. The latter would appear to render the sub-committee superfluous, at least with respect to fulfilling its original aim of foreign D-Mark issue regulation.

It goes almost without saying that such ideas are controversial. True, the hope – and part of the aim – of liberalising the German scene for foreign banks is to win reciprocal benefits for German banks in key financial markets abroad. It is not, however, easy to see how such reciprocity can be guaranteed. Moreover, some German banks argue that if foreign banks were allowed to lead-manage, there could be a sharp and upsetting increase in issue volume.

Some observers feel that the latter argument may be partly an excuse for keeping unwelcome competitors at bay. But there is a potential difficulty about the proposed reform which is certainly seen by the Bundesbank, even though it is pushing for change all the same.

Whereas the abolition of coupon tax encouraged an inflow of foreign funds, a liberalisation of the foreign D-Mark bond market might have the reverse effect. Also, this would seem a bad moment to boost capital outflows further, with the D-Mark (and other currencies) flagging badly against the dollar. Last year, West Germany's overall deficit on capital account almost doubled to DM 29.1bn

The central bank is therefore making haste slowly with the planned shake-up. The basic questions are:

- Do medium-term prospects for the D-Mark look good (whatever the current problems)?
- Will capital market liberalisation work on balance in West Germany's favour?

Because the Bundesbank's answer is "yes," it is more than likely that foreign banks will be given lead-management rights in the course of this year – and that other liberalisation steps will follow.

Research: Cathy Fitzgerald

Nordic air force pilots 'crisis'

By David Brown in Stockholm

THE DEFENCE ministers of Sweden, Norway and Denmark are to meet in Oslo today in an attempt to stem the flow of combat pilots from Scandinavian air forces to SAS and other airlines. Sweden's Defence Ministry said the number of military pilots joining airlines had reached "critical" proportions.

Meanwhile, pilots at several air bases in Sweden staged a "ground action" protest yesterday, against plans by the Government to place an annual ceiling of 25 on the number of pilots the commercial airlines will be allowed to recruit from the military.

In an effort to defuse a potential dispute, the Government is understood to have offered a compensatory bonus to pilots who remain with the air force past the age of 38.

The SAS charter contains a provision requiring the airline to hire only Scandinavian nationals. It has already hired a total of 54 pilots from the Swedish and Norwegian air forces this year and hopes to recruit as many as 80 more by this autumn.

Swedish and Norwegian air forces are now warning that the preparedness of their combat squadrons and the training of new pilots has been placed in jeopardy by the declining ratio of pilots to aircraft.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	-	—	—	Malaga	-	—	—	Salzburg	-	—	—
Akrotiri	-	—	—	Faro	-	—	—	Malta	C	17	63	Seoul	C	6	43
Algiers	-	—	—	Florence	F	15	59	Manila	S	35	95	Singapore	R	26	79
Amsterdam	C	3	37	Frankfurt	C	8	46	Miami	C	25	77	Stockholm	C	-1	30
Athens	S	14	57	Funchal	-	—	—	Milan	-	—	—	Strasbourg	-	—	—
Bahrain	C	18	65	Geneva	R	1	34	Moscow	S	-6	21	Sydney	D	19	66
Bangkok	S	34	93	Gibraltar	S	16	61	Munich	C	3	37	Taipei	F	24	75
Barcelona	-	—	—	Guernsey	C	7	45	Nairobi	-	—	—	Tangier	-	—	—
Beirut	F	18	64	Helsinki	-	—	—	Naples	F	17	63	Tehran	-	—	—
Belgrade	S	10	50	H. Kong	C	21	70	New Delhi	S	28	82	Tel Aviv	F	19	66
Berlin	C	5	41	Innsbruck	F	7	45	New York	C	3	37	Tenerife	-	—	—
Biarritz	F	11	52	Inverness	S	10	50	Nice	R	12	54	Tokyo	F	14	58
Blackpool	C	6	43	Istanbul	-	—	—	Oporto	-	—	—	Toronto	C	3	37
Bordeaux	S	11	52	Jersey	R	7	45	Oslo	C	1	34	Tunis	-	—	—
Brussels	Fg	2	36	Jo'burg	S	26	79	Paris	C	3	37	Valencia	-	—	—
Budapest	-	—	—	Las Palmas	F	20	68	Prague	-	—	—	Venice	C	13	56
B. Aires	C	27	81	Lima	S	27	81	Reykjavik	-	—	—	Vienna	C	3	37
Cairo	C	18	64	Lisbon	F	14	57	Rio de J'o	C	34	93	Warsaw	C	2	36
Cape Town	-	—	—	Locarno	-	—	—	Rome	C	16	61	Zurich	-	—	—
Caracas	C	28	82	London	C	9	48								
Casablanca	-	—	—	Los Angeles	C	16	61								
Copenhagen	Sl	2	36	Luxembourg	C	4	39								
Corfu	-	—	—	Madrid	F	12	54								
Dublin	S	9	48	Majorca	-	—	—								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lonrho may mount new Fraser bid

Continued from Page 1

lobbied hard for the Al-Fayed offer to be referred.

The Al-Fayeds' bid has been recommended by the Fraser board. If it is referred to the monopolies commission, it will be automatically blocked. Depending on the outcome of such an inquiry, the Al-Fayeds would have to wait at least six months before they could mount a fresh bid.

Last November, Lonrho sold its strategic 29.9 per cent shareholding in Fraser to the Al-Fayed brothers, Mohamed, Ali and Salah for more than £138m. Lonrho argued at the time that it had grown tired of the lengthy investigations which the British authorities persistently mounted into its takeover plans. Lonrho later built up its stake in Fraser to 6.3 per cent.

When Lonrho mounted its own bid for Fraser in 1981 in an offer which valued the group at £226m, the monopolies commission ruled that any bid would operate against the public interest. Now the commission has concluded that in the light "of changed circumstances" there would be no longer significant adverse effects on the public interest.

The effects on competition would be insignificant, the commission said. There was no longer a significant risk of damage to the Fraser group through the loss of senior executives in the event of a merger. In view of the developments within Lonrho since 1981, the commission considered that Lonrho could no longer be characterised as lacking an adequate system of corporate management to run Fraser.

In an effort to gain time to mount a fresh bid for Fraser, Lonrho has been lobbying hard for the Al-Fayed offer to be referred. Lonrho has argued that the real identity of the bidder for Fraser is not known and alleged that the Al-Fayeds are using associates' money to make the offer.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday March 8 1985

Apple to impose one-week shutdown

By Louise Kehoe in San Francisco

APPLE Computer of the U.S. will close its manufacturing plants for one week to clear an "inventory glut" on retailers' shelves, the company announced yesterday.

Employees at Apple factories in Dallas, Texas, Freemont, California, and Cork, Ireland, have been asked to take a week of their paid holiday as a "spring break."

Apple is also understood to have cancelled orders for semiconductor parts for a period of six weeks, although the company declined to comment.

Apple operates its manufacturing plants on a tight delivery schedule and holds a minimum of parts inventory. An Apple spokesman declined to say whether the cancelled parts orders implied longer-term manufacturing stoppages, but a major Apple supplier said: "Apple has shut its shipping bays for six weeks."

U.S. gas group seeks merger

NEW YORK – American Natural Resources, the U.S. natural gas transmission group locked in a hostile takeover battle with Coastal, is discussing the possibility of a friendly "white knight" merger with Houston Natural Gas and other companies.

Meanwhile, Coastal has stepped up its fight for control of American Natural, launching a proxy fight to replace ANR's directors at its April 24 annual meeting.

Mr James Walzel, Houston Natural's president and chief operating officer, said: "Right now it's strictly for discussions. At this point ANR is talking to everyone in the industry." Mr Walzel also pointed out the high debt levels Houston Natural has accumulated. AP-DJ

'MARKED' INCREASE IN DIVIDEND PLANNED

Hoechst rises 44% to DM 1.3bn

BY JOHN DAVIES IN FRANKFURT

HOECHST, the West German chemical and pharmaceutical group, plans a "marked" increase in its dividend, after boosting parent company pre-tax profit by 44.7 per cent to DM 1.33bn ($393.5m) last year.

With increased demand for its products and with the strong dollar lifting its U.S. earnings in terms of D-Marks, Hoechst increased its group worldwide sales revenue by 11 per cent to DM 41.28bn.

Parent company sales, more dependent on the home market, showed a somewhat more modest rise of 9.9 per cent to DM 14.3bn.

In a preliminary report, Hoechst said yesterday that its group worldwide profits were not yet definite. But with few exceptions, Hoechst companies both within West Germany and abroad turned in a much better result than the previous year.

In view of the higher parent company earnings, it said that the management would recommend to the supervisory board a "marked" rise in the dividend on the company's capital, which was increased by a rights issue last May.

Hoechst – like BASF and Bayer, the other two big West German chemical groups – paid a dividend of DM 7 per share on its 1983 earnings.

All three suffered a setback in 1982 and cut their dividends (in the case of Hoechst to DM 5.50), but they have since given an exceptionally buoyant performance, and there has long been speculation that they will substantially raise their payout again.

As with the other chemical groups, Hoechst's results have been helped by rationalisation and restructuring measures taken in previous years with losses and over-capacity in some areas.

Hoechst said good business had continued in the first two months of this year, although it gave no details. The West German Chemical Industry Association indicated recently that it expected the overall tendency this year to be stabilisation at a high level.

In terms of volume Hoechst boosted overall sales by 6.6 per cent last year. Revenue from pesticides, fibres, film, organic chemicals and information technology showed a particularly strong increase.

The parent company lifted its capacity use to 82 per cent, compared with 78 per cent in 1983. Whereas this helped profitability, raw material and energy costs continued to rise.

Hoechst's sales revenue within West Germany – from the parent company and other operations – rose a moderate 5.5 per cent to DM 10.24bn. The parent company registered a decline in sales to the motor vehicle and printing industries (both involved in labour conflicts last year) and to the building trade (suffering from weak orders), although these setbacks were more than offset by gains in other areas of business.

Sales revenue abroad – which made up more than three quarters of the group's sales – rose 12.9 per cent to DM 31.04bn. Sales in North America, Australia and Eastern Europe showed above average growth.

The parent company's workforce rose only slightly last year (by 218 to 60,877), but this reversed a decline during the previous two years.

UPI plans equity offer to creditors

By Paul Taylor in New York

THE TWO principal pwners of United Press International (UPI) yesterday bowed to creditors' pressure and agreed to relinquish most of their stock and hand back operating control of the company to its recently sacked president, as a part of a plan to rescue the financially troubled news service.

The agreement was announced after 20 hours of talks in Los Angeles during which Mr Douglas Ruhe and Mr William Geissler faced intense pressure from creditors to give up their 90 per cent control of the wire service.

UPI said meetings were now scheduled with creditors to offer them equity in the company. "We are confident that the creditors will find this plan attractive and will adopt it," said Mr Luis Nogales, whose dismissal as president on Sunday brought the agency's problems to a head.

Mr Nogales added that under the terms of the agreement the company would have "sufficient cash to operate normally" with continued support from its principal lender.

Western Union has accounts qualified amid $58.4m loss

BY OUR FINANCIAL STAFF

WESTERN UNION, the U.S. telecommunications group, has reported a $58.4m loss for 1984 and had its accounts for the year qualified by Price Waterhouse, its auditors, because of "financing uncertainties."

The New Jersey-based group, which is in the process of restructuring its bank debt, said the 1984 deficit, which equals $3.04 a share, compared with a 1983 loss of $59.1m, or $2.78.

In the fourth-quarter losses were $62.2m, or $2.81 a share, compared with a deficit of $125.8m, or $5.31, in the 1983 period, when there was a $110m writedown of telecommunications equipment and a $15m provision for severance costs. Severance costs in the latest quarter were $36m.

The latest quarter also includes an extraordinary loss of $19.3m related to a reversal of a tax loss carryforward. Revenues rose from $269.4m in the 1983 quarter to $289.1m and from $1.04bn to $1.13bn in the year.

But the company said the revenue growth was not up to expectations and was outpaced by expense increases, including "substantial" expenditures for the Easylink electronic mail service, interest charges and the severance costs.

The net loss of Western Union Telegraph, stated separately from consolidated results, was $45.6m for the fourth quarter and $32.5m for the year, against $106.8m and $46.9m respectively in 1983.

Mr Robert Leventhal, who in December became the company's third chairman and chief executive in five months, said: "We have a challenging first half ahead of us as we continue to recover from the liquidity crisis we experienced in the fourth quarter of 1984." The company was planning for a better second half.

Mr Leventhal added: "Our immediate priority continues to be the improvement of the corporation's longer-term financial condition through a restructuring of our bank debt and the sale of assets."

Western Union has been spending heavily to expand Easylink.

AMC expects Renault sales fall

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

SALES of Renault cars built in the U.S. by the French group's associate, American Motors (AMC), are likely to fall by more than 16 per cent this year from the 1984 level, but the company would remain profitable because of record Jeep sales, Mr Jose Dedeurwaerder, AMC's president, said yesterday.

AMC, 46 per cent-owned and under management control of the state-owned French group, has been phasing out production of its own cars in favour of Renault products.

Last year it sold about 180,000 Alliance and Encore models, based on the Renault R9 and R11. But Mr Dedeurwaerder, speaking in the run-up to the Geneva Motor Show, said the total would fall to about 150,000 in 1985 because the models are now about three years old.

Although their intentions were not yet known, the Japanese were bound to make further inroads into the U.S. market following the ending of the voluntary import restraints.

However, sales of AMC's four-wheel-drive Jeep models would soar to 200,000 in 1985 against 175,000 last year and the record 178,000, Mr Dedeurwaerder predicted.

More of the new "downsized" (smaller and lighter) Jeeps are to be introduced later this year, including pick-up versions with either four or two-wheel drive.

Mr Dedeurwaerder said AMC had always known that 1985 and 1986 would be "dry patches" for car sales because it would have no important new Renault models to offer until 1987.

Mesa Group to sell back Phillips stake

By Our New York Staff

MESA PARTNERS, the group of Texas investors led by Mr T. Boone Pickens, chairman of Mesa Petroleum, last night decided to exercise its right to sell its 8.9m shares in Phillips Petroleum back to Phillips for $53 a share or a total of $472m.

The Mesa group was granted the right to sell at that price as part of a December settlement under which Mesa terminated its takeover efforts and Phillips agreed to a sweeping recapitalisation plan. At that time the agreement sparked controversy and allegations of "greenmail" – strenuously denied by Mr Pickens, whose group is estimated to have made a $89m profit on the arrangement.

Mesa Partners' decision to exercise the option comes only days after the embattled Phillips group fought off a second unwelcome takeover bid from Mr Carl Icahn, the Wall Street financier.

Fed acts after ESM collapse

By Our New York Staff

THE FEDERAL Reserve Bank of New York has taken steps to calm the nervousness in the financial markets after the collapse of ESM Government Securities, a Miami-based securities trader. It said it had no evidence that the losses were of "unmanageable proportions in the dealer community."

ESM ceased trading on Monday morning, and the effect is still being assessed in the volatile and largely unregulated U.S. government securities market. Dealers are worried that it could have the same sort of impact as the collapse of Drysdale Government Securities in 1982.

Brazilian pulp group privatisation delayed

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE SALE by the Brazilian Government of its controlling holding in Aracruz Celulose, the country's leading pulp producer, planned for last week, is now unlikely to be concluded before the new Government takes office on March 15.

Major shareholders in Aracruz Celulose, a highly profitable export-orientated enterprise, are the BNDES, the state development bank, with 40.25 per cent, and Souza Cruz, the Brazilian subsidiary of BAT Industries of the UK, with 25.5

Minor shareholdings are currently in the hands of Billerud, the Swedish papermaker, and two private Brazilian companies, Walther Moreira Salles and Lorentzen.

A planned deal between the BNDES and Lorentzen, which is headed by the Norwegian entrepreneur Mr Erling Lorentzen, whereby the latter would buy up most of the Government's shareholding, was held up at the last moment.

Mr Lorentzen, in association with a German-Brazilian financier, Mr Karl Fischer, apparently hoped also to purchase the Moreira Salles shares.

GM Australia hopes for recovery

BY MICHAEL THOMPSON-NOEL IN SYDNEY

GENERAL Motors-Holden (GM-H), the Australian arm of General Motors of the U.S., lost a net A$50.5m (U.S.$34.3m) in 1984 – a marked reduction on the A$125m in 1983.

The company made a small trading profit last year, when the Australian car market saw record sales, and is hoping for a profit in the current year.

Interest costs were not disclosed, but GM-H said that overall debt had been reduced from A$316m to A$254m.

Mr Chuck Chapman, managing director, said the improved 1984 result indicated that GM-H's recovery programme was working.

Italian bank 'window dressing' under fire

By James Buxton in Bonn

BANK of Italy is clamping down on the Italian banking system's widespread practice of "window-dressing" year-end accounts in order to inflate balance sheets

According to its latest bulletin, the central bank told banks in mid-December that a range of devices which they use to boost their year-end total of managed funds would no longer be accepted.

Since the major banks have not yet produced their results for the year to December 1984, it is too early to say whether the central bank's strictures have been taken to heart. But the Bank of Italy expects the 1984 results, and to an even greater extent in the results for the current year, to reflect its demand.

The central banks says that the practice of inflating accounts has grown sharply recently. Banks do it, it says, "to boost the apparent state of their liquidity, show steady progress in their accounts and to catch up with or overtake competitors."

It is common knowledge that Italian banks are prepared to offer attractive rates of interest to big depositors just before December 31 each year.

The central bank said that a survey showed that banks lent money to each other in order to boost their advances at the end of the year.

They are also accused of swapping foreign exchange for lire, carrying out transactions with offshoots in other countries where the consolidation of accounts is not obligatory and temporarily adding to deposits sums of money which they were due to reinvest in government bonds on behalf of clients.

The bank said that the deposits registered by banks tended to fall substantially in the quarter following the financial year-end. It is understood that the decline in deposits could be as much as 40 per cent.

In the past the central bank has asked banks to cease the practice of setting different accounting periods for the parent bank and for their foreign subsidiaries, to prevent the transfer of funds between them.

Krupp hints at return to profit

BY PETER BRUCE IN BONN

KRUPP, THE West German steel, engineering and industrial group, hinted strongly yesterday that it had returned to profit last year after losses of DM 301m ($88m) in 1983. It said 1984 had been a successful year and that results showed a "distinct improvement" over 1983.

Orders rose 17 per cent, to DM 18.5bn while turnover increased 5 per cent to DM 18.16bn.

The group warned, however, that efforts to merge its steel business with Klöckner still faced "manifold political difficulties." The steel division, which improved turnover last year by 9 per cent to DM 6bn, is scheduled to merge with John Klöckner on July 1. Krupp appears to be taking a far more pessimistic view of the merger's prospects than Klöckner, which recently insisted there was no major difficulties facing the partners.

Krupp said its raw steel production rose 13 per cent to 4.4m tonnes in 1984, with orders to its large special steels division outstripping conventional products. Like most West German steelmarkers, however, it complained that subsidies to some European competitors continued to distort competition.

Turnover in plantmaking rose 4 per cent to DM 3.7bn. One of the biggest parts of this division, Krupp Polysius, passed the DM 1bn sales mark for the first time but, said the group, "it is clear that the business cycle for turnkey cement plant is taking a downward turn. Moreover, rock-bottom prices offered by Japanese suppliers again made the going very difficult."

Krupp's trading and services operations enjoyed the biggest rise in sales — 12 per cent, to DM 7.5bn, with Krupp Handel expanding its oil business and Hansa Rohstoffe reaping the benefits of record scrap metal prices on export markets.

Shipbuilding sales continued to fall, this time by 59 per cent to DM 303m. The group now concentrates its shipbuilding activities at Bremen.

Statoil hit by higher tax on record results

BY FAY GJESTER IN OSLO

STATOIL, Norway's state oil concern, achieved record turnover and pre-tax profits last year, but higher taxes left net profits trailing at NKr 1.2bn ($123m), compared with NKr 1.4bn in 1983.

The company expects continued earnings growth over the next few years, as output rises on the Anglo-Norwegian Statfjord field, and production starts on two large Norwegian fields—Gullfaks and Oseberg.

Group turnover at NKr 35.7bn is just ahead of the NKr 35.5bn figure announced recently by Norsk Hydro, to date, Norway's largest industrial group in terms of turnover.

The sales rise mainly reflected higher oil production on Statfjord, coupled with the strength of the dollar.

The Statpipe gas gathering system, for which Statoil is operator, will be commissioned during the summer and will begin delivering gas via the Ekofisk complex, in the autumn, a couple of months ahead of schedule.

Last year was the first in which Statoil's petrochemical activities showed a profit, after financial costs.

● Kosmos, the shipping group with industrial and offshore interests, has offered to buy the minority shareholders in a forest products company—Saugbrugsforeningen— in which it acquired a controlling stake in 1983.

Dutch grocery chain lifts payout after 27% advance

BY LAURA RAUN IN AMSTERDAM

HELPED by the soaring dollar and lower taxes, 1984 earnings for Ahold, the Dutch grocery chain, rose by nearly 27 per cent to Fl 109m ($28m) from Fl 86m the previous year.

The higher profit, which the company hinted at in January, has led to the dividend being raised to Fl 5 plus 45 U.S. cents a share, compared with Fl 5 plus 10 cents in the preceding year.

Ahold's U.S. activities, which account for 13 per cent of total turnover, are conducted by a separate company.

Sales rose 13 per cent to Fl 11.1bn with the U.S. outpacing the Netherlands due to continued flat consumer spending here. The dollar-denominated turnover produced about Fl 6m of the net income while another Fl 10m of the profit was attributed to the reduction in Dutch corporate tax.

Ahold, which is based on the outskirts of Amsterdam, said it expected both sales and earnings to climb again this year. The company also operates general merchandise stores and restaurants and is expected to profit from an acceleration in consumer spending this year after years of flat consumption.

An improved domestic-market position is seen continuing with the help of reorganisation in both the Albert Heijn grocery chain and the Miro general merchandise chain.

Ahold continues to seek an acquisition in the U.S.

N. AMERICAN QUARTERLY RESULTS

ALBERTSONS
Supermarkets, drugstores

Fourth quarter	1984	1983
	$	$
Revenue	1.24bn	1.15bn
Net profits	24.7m	22.9m
Net per share	0.75	0.70
Year		
Revenue	4.74bn	4.28bn
Net profits	79.7m	70.3m
Net per share	2.42	2.15

AM INTERNATIONAL
Office equipment

Second quarter	1984-85	1983-84
	$	$
Revenue	149.6m	144.3m
Net profits	1.3m	1.6m
Net per share	0.3	0.4
Six months		
Revenue	297.1m	283m
Net profits	2.6m	3.1m
Net per share	0.6	0.8

CANADIAN GENERAL ELECTRIC
Electrical equipment

Year	1984	1983
	C$	C$
Revenue	1.42bn	1.39bn
Net profits	39.8m	38.5m
Net per share	4.87	4.71

FOXBORO
Instruments, control systems

Fourth quarter	1984	1983
	$	$
Revenue	144.7m	157.9m
Net profits	1.5m	3.1m
Net per share	0.12	0.26
Year		
Revenue	515.9m	533.1m
Net profits	4.3m	7.9m
Net per share	0.35	0.65

NOVA, AN ALBERTA CORP.
Natural gas transmission

Fourth quarter	1984	1983
	C$	C$
Revenue	855.3m	943.5m
Net profits	60.7m†	90.7m†
Net per share	0.50†	0.79†
Year		
Revenue	3.79bn	3.82bn
Net profits	125.4m	44.4m†
Net per share	1.02	0.38†

†Loss

STOP AND SHOP
Retailing

Fourth quarter	1984-85	1983-84
	$	$
Revenue	945.5m	800.5m
Net profits	31.1m	28.8m
Net per share	2.42	2.49
Year		
Revenue	3.26bn	2.79bn
Net profits	54.8m	50.8m
Net per share	4.60	4.73

SYNTEX
Drugs, health care

Second quarter	1984-85	1983-84
	$	$
Revenue	229.9m	220.3m
Net profits	35.5m	35.8m
Net per share	1.10	1.07
Six months		
Revenue	465.7m	448.6m
Net profits	69.4m	74.2m
Net per share	2.15	2.21

TOSCO
Oil refining

Fourth quarter	1984	1983
	$	$
Revenue	465.1m	491.1m
Net profits	155.2m†	136.6m†
Net per share	6.61†	7.81†
Year		
Revenue	1.9bn	2.49bn
Net profits	210.7m†	378.1m†
Net per share	10.19†	2.49†

†Losses reflect writedown of refining assets

U.S. LIFE
Life assurance

Fourth quarter	1984	1983
	$	$
Net profits	19.5m	20.9m
Net per share	0.95	1.02
Year		
Net profits	71.7m	76.9m
Net per share	3.47	3.71

WORLD AIRWAYS
Airline

Fourth quarter	1984	1983
	$	$
Revenue	77.2m	70.6m
Net profits	12.3†	8m†
Net per share	—	—
Year		
Revenue	322.9m	274.4m
Net profits	18m†	29.4m†
Net per share	—	—

†Loss

Novo holds dividend as income declines

By Hillary Barnes in Copenhagen

NOVO INDUSTRI, the Danish enzymes and pharmaceuticals group, is holding its dividend at 20 per cent for 1984 following a decline in net profits to DKr 685m ($56m) from the DKr 704m of 1983.

Sales improved by 12 per cent to DKr 3.76bn. Last October, shortly after announcing unexpectedly flat half-year results, Novo revised downwards a forecast of 1984 sales growth from 20 per cent to 10 per cent.

The company, which has stock market listings in New York and London as well as Copenhagen, produced rapidly growing profits in the years up to 1983. On net profits almost 50 per cent higher, the 1983 dividend was increased by a sixth.

Yesterday's statement from the Novo board was careful to emphasise the importance of long-term perspectives for evaluating the company's progress and prospects.

Although the high yearly increments of recent years might be difficult to repeat, Novo was confident of continued growth over the longer term.

Novo plans to step up spending on research and development as well as marketing.

Sales of pharmaceutical products increased by 16 per cent last year to DKr 2.11bn, with insulin sales rising at the same rate.

Enzyme sales went ahead by 7 per cent to DKr 1.62bn failing to live up to initial expectations, mainly because a major U.S. customer became self-sufficient in enzymes.

Capital expenditure last year increased from DKr 563m to DKr 632m, including new or expanded insulin and enzyme pilot plants, a new enzyme fermentation plant and continued expansion of enzyme purification capacity.

Insulin sales were adversely affected by increased competition and stock rundowns in two major markets—the U.S. and UK. But in home markets demand for Novo insulins increased.

Philips registers strong growth

BY OUR FINANCIAL STAFF

PHILIPS, THE Dutch electrical group, reports an increase of more than two-thirds in net earnings for 1984 and is stepping up its dividend.

The result is broadly in line with forecasts made by the company in January, which suggested that net profits would top Fl 1bn. The actual result is Fl 1.11bn ($327m), a rise of 67 per cent.

As a result of the sharply improved earnings, the company boosted its final dividend to Fls 1.40 a share from the year earlier Fls 1.20.

Last year Philips earned Fls 5.27 a share after tax, up significantly from the Fls 3.23 a share in 1983. Turnover rose 16 per cent to Fls 53.8bn.

The increase in the final dividend, takes the total dividend for 1984 up to Fls 2 a share from Fls 1.80. However, the company is not repeating a 10 per cent bonus on the cash dividend paid to shareholders in 1983.

Philips said its 1983 figures had been adjusted in line with changed European Community rules on accounting. Net profit per share had also been adjusted following last year's one for 10 scrip issue.

Philips has already forecast further growth in sales and profits for the current year. Sales volume for 1985 is expected to improve by 6 per cent with net profits moving ahead by a further 25 per cent.

Pirelli disposes of stake in cable laying venture

BY ALAN FRIEDMAN IN MILAN

PIRELLI, the leading Italian tyres and cables group, is disposing of its 30 per cent stake in Sirti, a cable laying joint venture with the STET state-controlled telecommunications holding company and other companies.

In exchange, Pirelli is receiving a 5 per cent stake in SIP, Italy's state telephone utility, which is controlled by STET.

Pirelli was expected to provide details of the deal this morning. The last published book value—in June—of the Sirti stake was L58bn. The market value of the 5 per cent SIP shareholding is about L150bn ($71m), which corresponds to the value being placed on the 30 per cent Sirti stake.

Pirelli's 1984 aggregated group turnover for operating companies (the Milan-based group does not yet fully consolidate results) rose by 14 per cent to L6,800bn. In dollar terms, the Pirelli group net profit for 1984 has doubled, to around $70m.

The Sirti disposal and exchange for SIP shares is related to Pirelli's failure last year to secure with STET-Sirti a joint venture agreement. The proposed venture ran into heavy political opposition in Rome. At the same time, however, Pirelli is acquiring for L6.5bn a 10 per cent share of Ceat Cavi, the cables subsidiary of Ceat, the privately-owned company which is Pirelli's only Italian-owned rival in tyres and cables.

Solid gain for Danfoss

DANFOSS, the hydraulics and automatic control equipment manufacturing company, increased net profits from DKr 211m to DKr 252m ($20.5m) in the year ending September, writes Hilary Barnes in Copenhagen.

Turnover increased by DKr 450m to DKr 4.7bn. Operating profit at DKr 393m declined from 8.5 to 8.3 per cent of turnover, which the company said was not satisfactory. It aims at a return of 10 per cent on turnover.

Asea in New Zealand deal

By David Brown in Stockholm

ASEA, the Swedish electrical engineering and electronics group, has bought a controlling 51 per cent interest in Tolley Holdings, the leading New Zealand manufacturer and wholesaler of electrical equipment with sales of NZ$65m (US$31m).

The purchase is aimed at "further consolidating our position not only in New Zealand but also in Australia and South East Asia," says Mr Bert-Olof Svanholm, Asea's executive vice-president.

Tolley has been active in New Zealand in recent months, and controls between 30 and 60 per cent of the market in transformers and switch gear. Some 75 per cent of its turnover is generated in the home market, with Australia the largest export base.

Tolley's products fit well into Asea's range, while its new wholesaling network provides further opportunities. A greater "local content" may become increasingly important from a trade-political standpoint in coming years, Asea says. The deal is subject to approval by authorities in Stockholm and Wellington.

CFP doubles earnings

By David Housego in Paris

COMPAGNIE Francaise des Petroles, the French oil group which sells under the Total name, announced yesterday that parent company profits doubled last year.

It also expects consolidated profits to show a strong rise.

Parent company profits rose to Fr 1.08bn ($103m) after FFr 200m provisions, compared with profit of FFr 524m in 1983. The company is proposing a dividend increase from FFr 16 a share in 1983 to Fr 18.

The expectation of sharply improved consolidated profits is in spite of heavy losses in the refining sector. CFP, reported consolidated profits of FFr 420m in 1983 after a loss of FFr 1.07bn in 1982.

هكذا من الأصل

INTL. COMPANIES & FINANCE

Why Gordon Wu is building a capitalist road to Guangzhou

BY DAVID DODWELL IN HONG KONG

MR GORDON WU sat sti...ly over a roll of architects' plans in his office on the 64th floor of Hong Kong's Hopewell Centre, claimed to be the tallest building in Asia: "I finished this building in 1980, and then got the hell out of Hong Kong. I saw the writing on the wall in terms of the property market. I saw the opportunities and potential of China—and what I've seen of it so far has fascinated me."

Mr Wu, a bluff engineering graduate from Princeton University in the U.S. who will be 50 next year, is not everyone's idea of a *friend* of China. Yet since 1978, hardly any major project in Hong Kong's mainland hinterland can be discussed without his name, and that of his company, Hopewell Holdings, being linked with it.

'I saw the writing on the wall in terms of the property market'

Since 1983 he *has been* a national committee member of the Chinese People's Political Conference (CPPCC)—a *rare honour* for a man who is a "capitalist roader" in anyone's book, and who would have risked his life if he had ventured onto the mainland during the cultural revolution. No one sees any paradox that *he should be at the same* time the honorary chairman *of* the Hong Kong Football Club.

For all of the media attention given to Mr Wu's business links with China over the past five years, few of his contracts have *yet left the drawing board. The* prominent exceptions are the 1,000 room China Hotel in Guangzhou (Canton), built at a cost of HK$780m (US$100m) and officially opened last year, and the customs and immigration complex at the Lowu border crossing between Hong Kong and Shen Zhen which is still under construction.

His more ambitious *projects* involve a HK$3bn 80-mile superhighway between Shenzhen and Guangzhou, a container port in Shenzhen, and a HK$4bn coal-fired power plant. These have been mooted for so long without any ground being broken that some Hong Kong commentators have joked unkindly that Mr Wu is in the business of white elephants.

As he has trimmed dividends, and predicted debts peaking at HK$10bn, his shares have been *among the less popular* on Hong Kong's stock exchanges. "I'm used to scepticism," Mr Wu parries. "There is no doubt that I will finish these projects. I know exactly where the hell I'm going, and the costs are calculated and containable."

He expounds in detail on each major project:

Work on the Phajiao power station, which will have an installed capacity of 700 mw intended to reduce chronic power shortages in Shenzhen, has already begun. A HK$4bn turnkey contract has been awarded to Mitsui-Toshiba, with Mr Wu *aiming to "pull the switches"* in June 1987.

Hopewell has 50 per cent of the HK$300m paid-up capital in the joint venture company set up to build the plant, and a major coup was to draw the Bank of China in as a 40 per cent shareholder in December last year. Citibank's Asia Pacific Capital Corporation (Apco) is *acting as financial adviser to the* project, and has agreed to arrange loans and credits amounting to HK$3bn.

Approval has been won *for* the superhighway linking Mawan in Shenzhen to Guangzhou. Mr Wu says, with physical work beginning in a month's time, and cars running in 1988. He says the road will cost HK$3bn and will cut the journey time from Hong Kong to Guangzhou from four hours to one hour.

He predicts he will win a loan from the Bank of China or a sister bank amounting to HK$900m, with HK$900m coming in supplier credits, and a further HK$900m being raised through loan syndications.

Mr Wu *says* that cost-cutting proposals have been abandoned to run ferries over rivers crossing the route. Instead, more expensive bridges will be built.

"The $64,000 question is whether the tolls will cover the cost of the road," Mr Wu commented. Passenger cars will be charged HK$60 to travel the *length of* the *road*, with container lorries being charged about HK$200. Mr Wu predicts that he will need 12,000 vehicles a day to break even. Current traffic flow amounts to an estimated 22,000 vehicles a day. He has been granted a 30-year concession to charge tolls

Plans are on the drawing board to extend the superhighway *to Zhauhai, the special* economic zone south west from Guangzhou, next door to the Portuguese administered territory of *Macao*. A container terminal is mooted for Mawan, while hotels are planned in Shenzhen, Peking and Guilin. With a hotel soon to be built in Hong Kong, Mr Wu sees the basis of a China-wide hotel *chain under the name of the* Panda Hotel Group.

"I expect to keep on building in China until the day I die," Mr Wu predicts. "*I've found* I like socialism with Chinese characteristics. What I particularly like is the Chinese characteristics—an enthusiasm about profits and results."

Hhe *fact* that profits and results *tend to be a long time* coming in China does not phase Mr Wu: "I've always gone carefully, step by step. Once you start building, a project costs you money as well as time—and when you are playing about with HK$10bn, you can't afford any hiccups. The rule once a project starts is no time overrun and no cost over-run."

'I expect to keep on building in China until the day I die'

He at one point seemed *bemused that "a little company"* like his—with a market capitalisation of just over HK$1.2bn—should be involved in so many large projects and predicting net debt of up to HK$10bn: "I learned some lessons from Sir Y. K. Pao," he joked. Sir Yue-Kong Pao, a Hong Kong dollar billionaire and one of Asia's richest men, *today owns one of the world's* largest private shipping fleets.

Mr Wu quipped: "He started 20 years ago with just a small slip of paper from Esso, and on the basis of that persuaded a large number of banks to provide the finance he needed to build up a shipping fleet." It may take another 20 years to learn whether Mr Wu's *debt-laden path into mainland* China turns out to be paved with gold.

Wheelock rebuff for Pao

BY DAVID DODWELL IN HONG KONG

SIR YUE-KONG PAO, whose property subsidiary Hongkong *and Kowloon Wharf and* Godown has made a HK$2.5bn (U.S.$320m) bid for Wheelock Marden, the ailing property and shipping group, yesterday pressed for representation on the Marden board. His request *was rebuffed* by the present board with the support of Hong Kong's Securities Commission.

Since *making his cash offer* for Wheelock, Sir Y.K. has revealed control of 40 per cent of the voting rights in the company. However, the outcome of the bid is far from clear at *present because Sir Y.K. is still* locked in a takeover contest for Wheelock with the Singapore-based financier, Tan Sri Khoo Teck Puat.

Meanwhile yesterday the board of Wheelock Maritime, Marden's 50 *per* cent owned shipping subsidiary, appointed accountants Ernst and Whinney to carry out a financial review *of the company. This follows* an announcement on Wednesday that it was in "a critical financial position."

BASE LENDING RATES

A.B.N. Bank	14 %	Hong Kong & Shanghai	14 %
Allied Irish Bank	14 %	Johnson Matthey Bkrs.	14 %
Henry Ansbacher	14 %	Knowsley & Co. Ltd.	14½%
Amro Bank	14 %	Lloyds Bank	14 %
Armco Trust Ltd.	14½%	Edward Manson & Co.	15 %
Associates Cap. Corp.	14 %	Meghraj & Sons Ltd.	14 %
Banco de Bilbao	14 %	Midland Bank	14 %
Bank Hapoalim	14 %	■ Morgan Grenfell	14 %
BCCI	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Ireland	14 %	National Bk. of Kuwait	14 %
Bank of Cyprus	14 %	National Girobank	14 %
Bank of India	14 %	National Westminster	14 %
Bank of Scotland	14 %	Northern Bank Ltd.	14 %
Banque Belge Ltd.	14 %	Norwich Gen. Trust	14 %
Barclays Bank	14 %	People's Tst.& Sv. Ltd.	15 %
Beneficial Trust Ltd.	15 %	Provincial Trust Ltd.	15 %
Brit. Bank of Mid. East	14 %	R. Raphael & Sons.	14 %
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	14 %	Roxburghe Guarantee	14½%
Canada Perm'nt Trust	14 %	Royal Bank of Scotland	14 %
Cayzer Ltd.	14 %	Royal Trust Co. Canada	14 %
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	14 %
■ Charterhouse Japhet	14 %	Standard Chartered	‖14 %
Choulartons**		Trade Dev. Bank	14 %
Citibank NA	14 %	TCB	14 %
Citibank Savings	¶12¾%	Trustee Savings Bank	14 %
Clydesdale Bank	14 %	United Bank of Kuwait	14 %
C. E. Coates & Co. Ltd.	14½%	United Mizrahi Bank	14 %
Comm. Bk. N. East	14 %	Westpac Banking Corp.	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½%
Co-operative Bank	*14 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	14 %
Dunbar & Co. Ltd.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15½ %		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		
C. Hoare & Co.	†14 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 11%. 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.

† 7-day deposits on sums of under £2,000 11%, £2,000 up to £10,000 12%, £10,000 up to £50,000 12¼%, £50,000 and over 12½%.

‡ Call deposits £1,000 and over 11%.

‖ 21-day deposits over £1,000 12½%.

¶ Mortgage base rate.

§ Demand deposits 11%.

** See Provincial Trust Ltd.

Amic edges ahead despite tough second half trading

BY JIM JONES IN JOHANNESBURG

ANGLO AMERICAN Industrial Corporation (Amic), the diversified South African industrial group, suffered from deteriorating trading conditions in the second half but nevertheless increased both turnover and pre-tax profit for the whole of 1984.

Turnover rose to R2.03bn ($1.38bn) from R1.58bn while pre-tax profit increased marginally to R241.1m from R239.5m. Net profits, however fell by 3.1 per cent to R157.5m.

Amcar, Amic's 50 per cent-owned motor vehicle manufacturing associate, further increased its loss last year. Amic's share of Amcar's losses was R44.1m, worse than 1983's R34.6m loss. Since the end of the year Amcar's *manufacturing* operations have been merged with those of Ford South Africa and *Amic's directors believe* that though rationalisation benefits will take some time to appear the merged company will generate profits by 1987. The merged company has been re-named Samcar and *is* 30 per cent Amic-owned.

Mondi Paper, the 62.7 per cent-owned papermaking subsidiary, commissioned its new Richards Bay pulp mill in the last quarter of 1984. The total cost was R823m against an originally budgeted R642m.

The directors say that Amic had uncovered foreign loans of $160m at the end of 1984. Of tihs amount $62m related to raw materials imports and a $40.8m exchange rate translation loss has been incurred. Of tis R9.9m has been charged against 1984's profits while the remainder will be *amortised* against profits over the remaining life of the loans.

On earnings down to 329.4 cents a *share* from 355.9 cents, Amic's total dividend has been maintained at 180 cents.

Strong $ compensates BP for weak oil price

BY DOMINIC LAWSON

British Petroleum, the UK's largest company, yesterday announced substantially increased replacement cost post tax profits for 1984 of £1.26bn, compared with £970m in 1983.

The company described the results as illustrating the twin themes of profitability and financial strength. The second element was seen in BP's liquid resources, which by the end of the year had grown by £1.2bn to £2.3bn.

The strength of the dollar more than compensated BP for the weakening in world oil prices, and gave rise to a stock holding gain of £121m. In 1983 BP reported a stock holding loss of £143m, when the strength of the dollar was not enough to outweigh the effects of a sliding world oil price.

Sir Peter Walters, BP's chairman, yesterday said he was "delighted at the outcome, particularly against the backdrop of oversupply of oil in the world."

The effect of this oversupply was seen in BP's refining and marketing businesses. BP Oil International saw its profits almost halved in 1984 to £113m, on a replacement cost basis. The sharpest decline was in Europe, where refining was loss-making after the first quarter.

The head of BP Oil International, Mr David Simon, said that there was still a surplus of refining capacity of about 110m tonnes in Europe, so that margins were either very thin or negative.

However, Sir Peter said that BP was doing better than much of the competition in this area, and this view was endorsed yesterday by oil analysts.

Upstream, however, BP fared better, with BP Exploration reporting replacement cost operating profits of £1.39bn, an increase of £295m. This was attributable to the first full year's contribution from the Magnus field in the North Sea, a lower level of exploration write-offs, and the strength of the dollar.

Sir Peter said that BP had increased its oil reserve base by 50m barrels last year, but that does not take account of BP's recent drilling successes in the Brae area of the North Sea. BP has a larg eshare of a field estimated at several hundred millions of barrels of oil, and the company said yesterday that it planned to start development the field next year, pending Government approval.

The big exploration disappointment for BP last year, as Sir Peter confirmed, was the continuing failure to find oil offshore China. However, the company's head of exploration, Mr Basil Butler, said yesterday that he was "not downhearted by China."

BP's chemicals operations turned a loss of £81m in 1983 into a 1984 profit of £70m. This was in large measure due to the rationalisation that BP has carried out on its own business, although the company added that trading conditions generally had improved.

BP's U.S. oil exploration affiliate, Sohio, showed substantially improved operating profits in sterling terms, at £2.28bn on a replacement cost basis. But its underlying dollar earnings were hardly changed from last year.

BP said competition this year ws likely to remain intense in most of its major markets, as a consequence of weak demand and over capacity. It will maintain its programme of streamlining operations, and plans a substantially higher level of capital expenditure. Sir Peter cited a figure of £5bn as the planned capital expenditure for this year.

BP directors yesterday refused to be drawn on speculation about possible acquisitions that have ben mooted, such as the outstanding shares in Sohio, or Johnson Matthey.

Sir Peter said: "Time is on our side. When the world downturn comes then there will be good bargains to be found."

Mr Robert Horton, BP's managing director, said the group had been toying with the idea of buying from the Government some of the shares it continues to hold in BP, but that BP has not yet raised the matter with the Government.

The increase in BP's net annual dividend, from 24p to 30p per share, was larger than the estimates of many analysts, which further exemplifies BP's optimism about its financial strength and prospects. The final payment is being increased from 17p to 20p.

Sir Peter Walters . . . delighted with the £1.26bn outcome.

Struck on an historical cost basis group profits before extraordinary items for 1984 improved by £536m to £1.4bn, with the fourth quarter contribution showing a rise of £102m at £351m.

Interest charges for the year were little changed at £567m (£553m), tax accounted for £1.43m (£1.21m) and minorities for £627m (£513m).

Earnings per 25p share emerged 29.3p ahead at 76.8p.

Geographically, group replacement cost operating profits for the year excluding Sohio show: UK £968m (£725m), Rest of Europe £32m (£55m), Middle East and Africa £174m (£213m), North and South America £397m (£271m) and Australasia and Far East £50m (£39m).

See Lex

CU in red after worst ever U.S. trading conditions

THE WORST ever trading conditions in the U.S. since the 1906 San Francisco earthquake, together with deteriorating trading in the UK and Canada, resulted in CU recording one of its worst ever results in 1984—a pre-tax loss of £72.8m. In 1983 it managed to make a pre-tax profit of £9.3m.

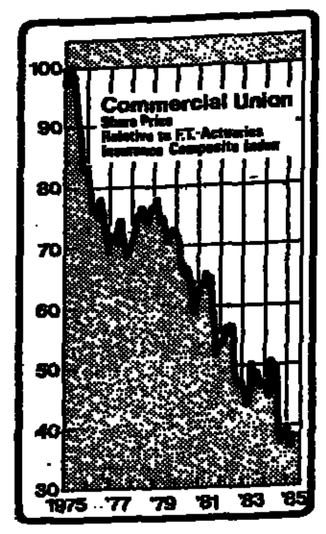
Underwriting losses rose by a third on the previous year, from £314.2m to £439.4m, while investment income growth was a mere £20m in sterling terms to £275.9m—quite insufficient to bridge the underwriting gap. Life profits showed a healthy increase from £55.8m to £77.9m and associated company earnings held up at £12.8m against £12.3m.

A tax charge of £15.5m worsened the situation so that the operating loss went from £8.1m in 1983 to £88.3m last year. Only £53.4m of realised investment gains enabled CU to cut back on losses for shareholders to £34.9m against 1983's £22m profit.

However, the company is maintaining its dividend payout for 1984 at the previous year's level of 11.8p. Mr Sandy Marshall, CU's chairman defends this decision by referring to the current underlying strength of the group and confidence in recovery this year.

Indeed, despite the net cash outflow, shareholders' funds rose over the year from £1.05bn to £1.07bn and the solvency margin at the end of the year was a satisfactory 50 per cent.

General insurance premium income rose by 16 per cent from £2.28bn to £2.65bn, although the underlying growth allowing for exchange rate fluctuations was static. A drop in income in the U.S. and Canada was offset by premium growth in other territories.



The operating loss in hte U.S., the largest operating territory accounting for 42 per cent of worldwide premium, rose in sterling terms from £114.8m to £146.9m, though in dollar terms the underwriting loss was not much worse — U.S.$332.7m (£311.8m) against $320m. The operating ratio declined from 123.9 per cent in 1983 to 126.8 per cent in 1984.

CU took the decision during 1984 to cut out many of its U.S. commercial operations and concentrate on personal and small commercial business. Premium income dropped 6.7 per cent during the year from $1.35bn to $1.26bn, with a 10.7 per cent drop in commercial insurance premiums. Staff numbers have been reduced fro mover 8,000 in 1981 to around 5,500 now.

The company found it necessary to put a further $60m into strengthening reserves, this amount affecting the final quarter figures. Mr Cecil Harris, CU's chief executive, pointed out that if the cost had been spread over the year the picture would show an improving underlying trend.

Mr Tony Brend, head of CU's U.S. operations, is now more confident that no more reserve strengthening will be necessary and is also confident that recovery will come during 1985.

The commercial lines were badly hit during 1984 and accounted for the operating loss. Personal lines made a small operating profit. Rate increase in commercial lines last year averaged 16 per cent with automobile rates up 30 per cent and Workers Multi Peril up 21 per cent.

Mr Brend warned that the costs of terminating a large block of commercial business would affect the 1985 results. But most of the adverse consequences would be out of the system by the end of 1985.

However the start of 1985 had been affected by severe weather particularly in the Mid West costing some $5m more than weather losses in 1984.

Insurance operations in the UK were also very poor in 1984. Premium income rose 10.1 per cent overall last year from £515.3m to Q572.4m, with premiums on personal insurance business up 11.6 per cent. But underwriting losses more than doubled from £43.6m to £91.6m.

UK operations got of to a bad start last year with the severe winter weather in the early months which cost £15m. Rising subsidence claims cost CU a further £12.5m This resulted in underwriting loses on domestic personal business jumping from £3.7m to £17.1m.

Mr Harris expressed his confidence of a recovery this year in the UK. The freeze-up this winter has not hit CU too badly.

CU has made premium rate increases in both commercial and personal lines that are not resulting in any significant loss of business. On the personal side it puts its motor premium rates up by 7½ per cent at the beginning of this year and its house building rates up 1 to 16p per cent on February 1. This latter increase according to Mr Harris was far from sufficient, but buildings insurance was a nationally rated class of business and CU has followed the lead of the market. The company put its house content rates up in the autumn of 1984 and has no plans for further increases in personal insurance.

See Lex

Cadbury to go for U.S. growth via £75m bond issue

PRE-TAX PROFITS at Cadbury Schweppes for 1984, in line with market expectations at £124m, reflect the increasing importance of group business outside the domestic trading area, and particularly in the U.S. The group intends to raise $80m (£74.9m) in convertible Eurobonds.

The pre-tax result was an improvement of £17.1m over 1983, and came out of trading profits £28.8m ahead at £154.4m. Significantly, the UK trading contribution fell from 46 to 40 per cent, with the largest increase coming in North America. The rise there was by £10m to £36.9m, and the group benefited from the strength of the U.S. dolar. Sir Adrian Cadbury, the chairman, says this is in line with a shift in geographical balance brought about over the last few years.

Sir Adrian says that the group has clear and positive plans for development overseas, especially in North America, and considers it prudent to raise further long term dollar capital. It intends to raise $80m through the issue of convertible 15 year bonds, which if fully converted would require hte issue of approximately 40m new ordinary shares, or about 8 per cent of the group's current ordinary share capital.

The issue comes on top of last September's ordinary share issue in the U.S., which raised more than $95m net, and the chairman

Sir Adrian Cadbury, chairman of Cadbury Schweppes

says that it will enable Cadbury to move forward with its plans for overseas investment and growth by putting in place a further tranche of long term capital. It will also reduce the group's interest expense and short term debt.

The issue will be underwritten through an international syndicate, and precise terms will be fixed next week. The coupon is expected to be in the region of 8 per cent, and the conversion price is expected to be set at a premium of about 10 per cent to the middle market quotation for the ordinary shares at the close of business on March 14.

The 1984 trading figures were achieved on worldwide sales which topped the £2bn mark for the first time, with most of the rise coming from North America. The aggregate turnover figure was £2.02bn against £1.7bn, of which £486m came from North America, a rise of £111.2m.

Sir Adrian says that the year was one of growth for the group worldwide, laying a firm foundaion for further progress in 1985. Internationally, volume sales of both confectionery and drinks were just over 6 per cent higher. At the same time the two main business streams increased their margins and, in general, their shares of market in the year. Confectionery added £86.2m (£69.9m) in trading profits, and drinks lifted its contribution by £12m to £53.8m, on sales of £858m (£721.5m) and £742.5m (£647.6m) respectively.

The chairman adds that the intention is to increase the share of the world market in both these divisions, and to progressively improve the group's position in the international league. "We are committed to the achievement of these aims and I am confident that we will make measurable progress towards them during the course of 1985," he says.

The final dividend is 4.3p against 3.9p for a 5.9p total (5.4p), and stated net earnings per share increased from 13.6p to 15.7p.

Sir Adrian says that during the year management attention was particularly directed to raising the return on assets and the operational cash flow.

On a geographical analysis the UK still provided the largest part of both sales and trading profit with £920.8m (£823.9m) and £62.3m (£57.3m). Only Africa, Asia, and New Zealand showed a downturn in sales, from £119.2m to £117.1m, but still showed a slight rise in profit at £13.7m (£13.3m).

For Europe sales and trading figures were £232.1m (£196.2m) and £16.5m (£10.6m), and for Australia (£260.2m (£188.7m) and £25m (£17.5m).

By product sector, apart from confectionery and drinks, beverages and foods added £352.5m (£274.9m) to sales and £13.6m (£12m) to profits. Health and Hygiene improved sales from £58.8m to £63.2m but saw profits slip from £1.9m to £0.8m.

• comment

While an inadequate cash flow may be the main incentive, the success of the $95m share offering in the U.S. has obviously given Cadbury-Schweppes a taste for using overseas money to finance its non-UK expansion. Given the current trend in exchange rates there is therefore every incentive to indulge this policy, especially as it reduces short-term gearing to a more manageable level and at a cost less than it would have to pay in U.S. money markets. The convertible element should also not lead to much dilution. On the trading side the group is powering along nicely with the U.S. pitching in almost a quarter of total profits and currency translation accounting for around a third of the 16 per cent profits rise. The only disappointments were that tea margins suffered from price cuts and stiff competition hit Jeyes, while the U.S. Apple Juice operations and Canadian confectionery interests are still less than sweet. These areas should be on the mend this year during which profits could reach at least £146m with the help of a full year from the new Wispa chocolate bar and Cottee's in Australia. On a 35 per cent tax charge the prospective multiple is 10 which does not look overly demanding.

Eurobonds details, Page 29

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Barclays	13.5	April 9	12.5	26	24
Barlow Holdings	3.85	—	3.4	4.85	4.4
British Petroleum	20	May 9	17	30	24
BSR	1.85	June 5	1.05	2.4	2
Cadbury Schweppes	4.3	May 28	3.9	5.9	5.4
Commercial Union	6.95	May 17	6.95	11.8	11.8
Corah†	2.4	—	2.2	4	3.7
Davies and Metcalfe	1.58	—	1.58	2.21	2.21
Family Investment	4.4	May 2	4.1	6.9	6.6
Federated Housing	2‡	April 23	—	3	0.8
Fife Indmar	5.5	April 29	5.2	7	6.6
Instem	0.5‡	July 4	—	0.5	—
Jebsens Drilling‡	Nil	—	Nil	Nil	3.5
Kleinwort Eurobonds int	64.18	—	60.44	—	117.35
Ocean Wilsons	0.75	March 29	0.75	—	2.95
Wm. Sinclair‡ ...... int.	1.65	April 4	1.5	—	4.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

John Moore on the Monopolies Commission report on Lonhro and House of Fraser

'Tiny' Rowland gets a green light

THE MONOPOLIES and Mergers Commission has decided that if Lonrho carries out any proposals to acquire House of Fraser the takeover "may be expected not to operate against the public interest." All six members of the inquiry team, led by Sir Godfray Le Quesne QC, chairman of the Commission, agree with the decision.

The conclusion is in marked contrast to the view of the Commission in 1981. Then it ruled that a proposed merger "may be expected to operate against the public interest."

Only Sir Godfray Le Quesne served on the earlier inquiry and the present review of the Lonrho relationship with Fraser has been carried out by five other members of the Commission.

In arriving at its latest decision the Commission's team has formed a different view of some of the factors which led to the blocking of Lonrho's 1981 bid for Fraser. Lonrho's bid at the time placed a value of £226m on Fraser.

The Commission has changed its mind on questions of competition, the management of Fraser if the merger went through, the conduct of Lonrho, and the management structure of Lonrho.

In the 1981 report the Commission had said that Lonrho's bitter struggle for control "provides grounds for apprehension about some aspects of Lonrho's judgment and its effects if the merger were to take place."

In the latest report, the Commission says, "we consider that their (Lonrho's and House of Fraser's) conduct since 1981 has increasingly been influenced by the continuing conflict of their aims and the prolongation of the dispute between them. Great caution must now be used in inferring from these events how the parties would behave in different circumstances. We do not think that Lonrho's conduct in the course of this conflict gives any reliable indication of Lonrho's likely conduct in the day-to-day management of House of Fraser if it were to acquire control or of any adverse effect on the efficiency of House of Fraser in that event."

The Commission takes the view "that the various aspects of Lonrho's conduct criticised by House of Fraser do not produce specific effects on the public interest and therefore do not provide grounds for concluding that control of House of Fraser by Lonrho would be against the public interest."

In the earlier report the Commission considered it probable that "if the merger took place Lonrho would be faced with the departure or at least the disaffection of some of the most experienced directors and senior directors of House of Fraser."

Then, the Commission concluded that while it would be possible for Lonrho to fill any vacancies by promotion from within House of Fraser or by recruitment from outside the company "there can be no certainty that persons so appointed would possess the experience and independence of judgment of the present senior management of House of Fraser . . . in view of the lack of depth of relevant experience in Lonrho, temporary and perhaps more permanent damage to House of Fraser's efficiency might result from the merger."

Mr 'Tiny' Rowland

House of Fraser argued before the Commission on this occasion that there would be adverse effects on the management and efficiency of the company because of Lonrho's lack of knowledge and experience of retailing. Several board members and a number of senior managers, said Fraser, would not stay after the merger.

"It is difficult to foresee what changes there may be in the membership of the board, either with the merger or without it," says the latest report. "We see no reason why there should be difficulty in finding such replacements as might be necessary for either executive or non-executive directors from among senior management or from outside the company."

A survey was carried out by House of Fraser's solicitors to ascertain the attitude of senior managers below board level. In the survey 47 managers were canvassed on their views if Lonrho took control. There were 41 replies, "which were submitted in strict confidence (to the Commission) and have not been seen by House of Fraser.

A similar survey was carried out in 1981. "We concluded (in 1981) that Lonrho would be faced with "the departure or at least the disaffection of some of the most experienced directors and senior executives.' The results of the survey carried out in the present inquiry were markedly different from those of the 1981 survey, and did not suggest that the same probability now exists. We also said in our 1981 inquiry 'we consider that most House of Fraser executives below main board level would remain.' This is still our view. We do not think that there is a significant risk of long-term disruption or damage to the management of the company as a result of the loss of directors or managers."

THE 1981 COMMISSION TEAM
Sir Godfray Le Quesne
Professor K. D. George
Mr E. A. B. Hammond
Mr H. H. Hunt
Mr M. S. Lipworth
Dr R. L. Marshall

THE 1984-85 COMMISSION TEAM
Sir Godfray Le Quesne
Mr J. G. Ackers
Mr K. S. Carmichael
Mr L. Kelly
Professor S. C. Littlechild
Mr S. R. Lyons

In these circumstances, says the Commission, "we do not attach importance to the suggestion that Lonrho lacks retailing experience. We believe that Lonrho would be able to rely on the expertise and experience of House of Fraser and its senior executives."

In the 1981 report, says the Commission, "we expressed some concern that the multiplicity of problems with which Lonrho executives would have to deal would lead to some overstrain and deterioration in the quality of decisions and that "in the absence of a fully developed system of corporate management or of any established succession (to Mr Rowland) . . . the further expansion of Lonrho by acquisition of House of Fraser at this time involves uncertainty and risk for the latter."

Now the Commission says that since 1981 there have been changes in the management organisation and structure of Lonrho. Lonrho has told the Commission that it has made a number of changes to improve overall management performance.

"We do not think that Lonrho can any longer be characterised as lacking an adequate system of corporate management, and we accordingly do not now see the same danger of overstrain if Lonrho were to acquire House of Fraser."

The position of Mr Rowland "and the alleged lack of a successor to him are matters which were raised by House of Fraser not only during the present inquiry but also during both our 1979 and our 1981 inquiries." The Commission observes that in an earlier inquiry in 1979, when it studied Lonrho's acquisition of Scottish and Universal Investments, it noted that the achievements of Mr Rowland and his experience in Africa would be hard to replace, "but that we did not think that the company's prosperity was unduly dependent upon him. This is still our view."

A major part of House of Fraser's case, says the Commission, rested on the argument that control of the company by Lonrho would be against the public interest "because of certain aspects of Lonrho's conduct." The Fraser group had alleged that Lonrho had breached certain assurances and undertakings given by Lonrho. Fraser had also been concerned about the numerous campaigns which Lonrho had embarked upon since 1981 and its harassment of the board in order to gain control.

The stores group was concerned too about the statements made in 1979 that Lonrho would not seek any greater degree of control of House of Fraser than it then expected to have. "Clearly Lonrho has sought in a number of ways," says the Commission, "to acquire a greater degree of control both before and after our 1981 report."

The Commission argues: "We took the view then (in 1981) that Lonrho had been faced with unforeseen circumstances which were different from those in which the assurances had been given, and that Lonrho was thereafter justified in taking action to protect its investment. The position is still the same in this respect, and our view has not changed."

House of Fraser has alleged that Lonrho has been in breach of its undertakings given to the Secretary of State for Trade and Industry in 1981, following the earlier report, not to acquire shares through an association with other individuals. Last summer a Department of Trade and Industry report prepared by Mr John Griffiths QC found no evidence that Lonrho was acting in concert with others to gain control of Fraser.

House of Fraser claimed before the Commission that "it could be inferred from the Griffiths report and from information that had become available since its publication that certain people who had bought shares had been "associated" with Lonrho and had been induced by Lonrho to buy shares. Lonrho vehemently denied that there had been any breach of the undertakings. We took the view that it would have been impracticable for us in the time available to investigate the relevant transactions in detail."

House of Fraser accepted that this would have been impracticable. Instead the stores group has made a submission to the Secretary of State and to the Office of Fair Trading. "In the circumstances," says the Commission, "we express no view on these matters nor on what effect any breach, if it were established, might have on the question whether acquisition or control of House of Fraser by Lonrho would be against the public interest."

House of Fraser argued that Lonrho's campaign of harassment of the board by demanding information, calling meetings, and raising objections to board minutes, together with the alleged breaches of undertakings, "amounted to conduct that was unacceptable for a large public company seeking to gain control of another large public company."

On the question of competition, the Commission says it considers that "if there were to be any adverse effect on competition as a result of Lonrho acquiring House of Fraser it would not be so significant as to effect the public interest."

Monopolies and Mergers Commission: Lonrho and House of Fraser. A report on the proposed merger. HMSO.

HARRODS' CONTRIBUTION TO FRASER RESULTS

	(£m) 1984	(£m) 1983	(£m) 1982	(£m) 1981
Gross turnover				
Harrods	222.0	183.3	172.8	157.2
Rest of Fraser	734.0	693.4	653.8	620.2
Total	956.0	876.7	826.6	777.4
Profits*				
Harrods	19.9	16.2	13.6	13.6
Rest of Fraser	27.4	22.8	20.2	31.7
Total	47.3	39.0	33.8	45.3

* Profit is stated before interest, other operating income, results of related companies and allocations to the profit linked share plan.

Tootal holders show little interest in bid

Entrad Investments, the Australian textile and clothing company, has extended its £124m takeover bid for Tootal, the UK textile group, after gaining acceptances from the holders of just 1.09 per cent of Tootal's shares by Wednesday's first bid deadline.

Together with the 5.78 per cent of Tootal held by Entrad ahead of its bid, the Australian group now has a 6.87 per cent stake in its target. Its bid has been extended to March 22.

Entrad said that it had found nothing in Tootal's defence document published on February 27 to change its view that it was offering a very full value.

It said it would be writing to Tootal's shareholders again shortly to present the "compelling" case for accepting its offer.

Tootal yesterday noted the extension of the Entrad offer following what it called the "understandably low level of acceptances" and again urged its shareholders not to accept.

Entrad launched its 70p cash offer for each Tootal share on February 5 after failing to get the Tootal board's agreement to a bid in December. In January Entrad sold off some of the shares it had bought in Tootal in an apparent attempt to disguise its bid intentions.

At the end of last month Tootal forecast a 24 per cent increase in its total dividend for the year ended January 31 1985. Pre-tax profit is expected to have risen 30 per cent to at least £22.5m.

Tootal's shares fell 1p to 71p yesterday.

Highland Participants

Highland Participants, oil exploration company, is raising £1.87m through the issue of 1.25m 150p shares, in a private placing with institutions and private investors.

The company, whose shares are traded under rule 535 (3), will use the funds to expand activities in the U.S. and UK.

Since a rights issue in July 1984, the company has participated in the drilling of four wells, all tested and proven commercial, and is involved in drilling five more.

BARCLAYS' 1984 RESULTS

Barclays rises 18% to £655m and makes £507m rights issue

Barclays yesterday unveiled a deeply discounted rights issue to raise £507m along with its results for 1984 which, at £655m pre-tax, fell below the general consensus of the City.

Market analysts had been looking for around £675m and there was an outside chance that Barclays could have become the first British bank to earn £700m.

While Barclays is still the largest of the big four clearers in terms of assets, the results have on a profitability basis pushed it into second spot behind National Westminster which on Tuesday reported a 30 per cent advance in 1984 profits to £671m.

However the profits, says Sir Timothy Bevan, group chairman, are a record and are a 18 per cent improvement over last year's £557m.

Commenting on the cash call, he says that a further strengthening of the group's capital base now will enable full advantage to be taken of the opportunities which are arising as significant changes take place in financial markets worldwide.

Also, he says "over the next few years we intend to support the expansion of successful operations in the UK and abroad and are planning important moves into the securities industry.

"Advances in technology will also," he says, "require investment as the group redesigns and improves its services in the personal and corporate markets."

This is Barclays' first direct call for funds from shareholders in nearly 25 years—in 1961 a rights issue was made to raise £12m.

The basis of the current issue is one-for-one at 150p share, which taking last night's closing price of 583p, down 7p, gives a discount of 74.3 per cent.

Sir Timothy says "by following the deep discount route, not only will underwriting expense be saved, but the lowering of the price at which the ordinary stock is traded on the Stock Exchange should encourage wider ownership."

The bank is increasing the total dividend distribution in respect of 1984 by 8.3 per cent to 26p with a second interim dividend, in lieu of a final, of 13.5p. Earnings rosef rom 84.8p to £85.1p per share.

It is the directors' intention for the current year to effectively maintain the return on the enlarged capital, based on a theoretical ex-rights price of 366p per share.

Sir Timothy tells shareholders that 1984 results reflected a strong performance from operations in the UK, despite a continued high level of provisions for bad and doubtful debts.

Barclaycard profits rose by 50 per cent, but the chairman declined to gove more detailed figures.

Internationally, he says "there was a welcome recovery in the US, but South Africa had a difficult year. We have again felt it necessary to make substantial provisions, both specific and general."

In addition to the bad debts, Barclays had to make a special provision of £543m for deferred taxation—this was covered by a transfer from reserves.

In all, Barclays charge for bad and doubtful debts for 1984 amounted to £525m, compared with £475m. This broke down as to specific £460m, up from £406m, and general £80m against £85m.

Within the specific provisions, domestic operations (including subsidiaries) accounted for £178m and the international side £267m—there was also an £80m charge in respect of general provisions, which now stands at £388m.

Total provisions at the end of the year stood at £1.39bn, against £1.09bn, with £1bn (£788m) attributable to the specific account and £388m (£306m) to the general provision.

Barclays says that the number of cases in its corporate casualty ward is down on a year ago.

In South America, Sir Timothy says that "in my view the crisis has become a problem, though clearly there will be worries from time to time.

And he points out, "we are also in the relatively happy position where our exposure in South America is less than that of our principle rivals."

As for future prospects, he says that the rights cash will help Barclays' plans to become "a major player in the emerging deregulated securities industry" through Barclays de Zoete Wedd, to improve personal and corporate services and to continue Barclays' development as an international bank.

The group, he adds, is looking to invest around £150m in cash or assets into its securities side, while spending on new technology was runnng at about £100m per annum.

One of the areas on the international side where Barclays is pressing ahead is Australia where, he says, it is one of 16 banks to have been granted a new provisional banking licence.

Sir Timothy Bevan, chairman . . . "Out exposure in South America is less than that of our principal rivals."

The chairman says that as regards an acquisition to fill any possible gaps in Barclays' securities markets coverage—particularly in New York—"we have to be represented in certain major overseas countries. It is one of the things we are keeping an eye on.

'If it is necessary to try to purchase something there, because otherwise the operation would not be successful we would have to do it." And Mr Peter Leslie, chief general manager, points out that under current U.S. regulations Barclays will be restricted in what it could do in New York.

Over the past five years Barclays' taxable profits, apart from a hic-cup in 1982, have shown an upward trend. In contrast to this, however, retained profits have declined.

Although the retained figure of £209m for 1984 was £2m higher than the previous year, Barclays' has experienced a decline approaching 30 per cent since the £296m recorded in 1980.

The figure for 1984 was struck after a higher tax charge of £342m, against £220m, dividends of £89m (£82m)

See Lex

BREAKDOWN OF ACCOUNTS AND PROVISIONS

Profit and loss	1984 (£m)	1983 (£m)
Pre-tax profit	655	557
Tax	342	220
Minorities	22*	48*
Extraordinary debit	543	—
Transfer from res.	543	—
Surplus reduction†	7	—
Dividends	89	82
Retained profit	209	207

Bad and doubtful debts	1984 (£m)	1983 (£m)
Specific provisions	460	406
General provisions	80	85
	540	491
Recoveries	15	16
Total	525	475
Provs at year-end		
Specific	1,000	788
General	388	306

* Debit. † On holdings in group companies.

David Lascelles on the background to Barclays' rights issue

A need to bolster balance sheets

THE FACT that Barclays has only had one rights issue in living memory—and then for a mere £12m—is an indication of just how momentous yesterday's call for £507m is. Britain's biggest bank could hardly have produced starker evidence of the massive resources needed to compete these days.

As Tir Timothy Bevan, the chairman, put it, Barclays wants to be one of the "muscle men" because there will not be much room for anybody else as financial markets round the world are opened up to all-comers.

But Barclays' call for capital does not just stem from future needs. Like all the large UK banks, it has been under pressure from the Bank of England to bolster its balance sheet to meet the stresses and strains of the international banking market. This is part of a global effort by bank supervisors to beef up the world banking system in the wake of shocks like the Third World debt crisis. U.S. banks, with their heavy exposure to Latin American countries, have been pressed particularly hard.

For the past three years, Barclays has ranked alongside Midland Bank on the low side of the capital scale for the big UK clearing banks. Until last year, Barclays had a patchy earnings record, and profit retentions fell steadily from £296m in 1980 to £207m in 1983, retarding the growth of reserves.

Although the Bank of England does not have hard and fast rules, it prefers banks to keep their "free capital" ratios above the four per cent mark, a level Barclays dipped below in 1982 (see table). This key measure of balance sheet strength shows what proportion of a bank's liabilities (deposits etc) is covered by its own readily realisable funds.

UK CLEARING BANKS CAPITAL RATIOS	1982*	1983*	1984*
Barclays	3.9	4.6	4.1†
Midland	3.9	4.5	4.4
NatWest	4.6	4.9	4.6
Lloyds	4.4	5.2	4.4‡

* Capital resources minus infrastructure as percentage of public liabilities. † 5.4 after rights issue. ‡ Estimated.

Source: de Zoete & Bevan

But while Barclays raised its ratios in 1983, the change in the capital allowance system in last year's Budget undid much of the good work my forcing it to take £543m (equivalent to a whole year's profits) out of its reserves again to meet unfunded tax liabilities. The measure could hardly have been worse timed, given the Bank of England's wish to see bank reserves rise rather than fall.

Barclays might well have done a rights issue shortly after the Budget except that its rival NatWest was fleeter of foot and got in first. Instead, Barclays raised a $600m loan in the Euromarkets. But it could not count all of it as capital because every £1 of loan stock has to be matched by £2 of equity—which Barclays did not have.

So Barclays was an obvious candidate for a rights issue, and the stock market has been anticipating it for some time. The only surprise yesterday was the huge size, though judging by the steadiness for Barclay's share price, the market can take it.

The issue will make Barclays the most strongly capitalised clearer, with a ratio of 5.7 per cent, though as Sir Timothy said yesterday, nobody could say that this is "enough." "Bank regulators have a tendency to shut stable doors after the horse has bolted," he said, referring to the fact that many banks are only now raising more capital as the debt crisis appears to be easing.

But having got its balance sheet into better shape, Barclays needs the money to plan for the future, particularly its large-scale move into the securities business in the UK and internationally through its alliance with stockbrokers de Zoete & Bevan and jobbers Wedd Durlacher.

Barclays will be putting £150m of capital and assets into the venture, which will have to be separately capitalised. But as the finance director of another clearing bank said this week, banks have to give more than just financial backing to their securities subsidiaries: they will have to stand behind them through thick and thin. And judging by the large numbers of banks aiming to join in the City revolution, times will be thin to start with, and Barclays must be braced to bear losses.

The new capital is also needed to build up Barclays' technological infrastructure and possibly make more acquisitions. Sir Timothy said yesterday that Barclays might make a further purchase in the U.S., "but we are not going around with cheque books open." Barclays is bound to need a securities presence on Wall Street when U.S. banking law is reformed to permit it.

After NatWest and Barclays, the obvious next candidate for a rights issue is Lloyds Bank ratios of which now look less good. Lloyds also has, relatively speaking, the heaviest UK bank exposure to the LDC debt problem and could, on that count, be encountering some pressure from the Bank of England. Lloyds is due to report its 1984 results today but could not come to the market until the effects of Barclays' bumper issue have washed through, which will be a few months. Some people had thought, though, that this week would bring a Lloyds rather than Barclays call.

Midland Bank which is in greatest need of an equity boost after its troubles with Crocker, could not afford a rights issue. The last one was only two years ago, and its share price is too weak. Anyway, Midland has pinned its hopes on an issue of perpetual loan stock which would meet the Bank of England's new criteria for primary capital instead.

Forward Trust 10% ahead and further progress expected

Forward Trust, the asset finance specialist arm of Midland Bank, achieved record taxable profits in 1984. The group moved ahead from £36m to £39.7m, a 10 per cent increase.

In addition, new business volumes generated by the group also reached record levels, rising from £1.13bn to £1.39bn.

As a result of the short-term impetus the market received immediately following the 1984 budget, the directors say that leasing enjoyed the largest growth, with a 36 per cent increase, while the growth in industrial instalment credit was more modest due to considerable pressure on margins.

Although the immediate trading outlook, particularly in relation to the leasing industry, is less than certain, the directors look forward with confidence to maintaining the current level of progress.

The group had already begun a detailed review of strategy prior to the 1984 Budget, and was therefore well placed to react both in the short and long term.

The plans announced by the company last November to restructure its operations were aimed at placing greater emphasis on those market sectors which offered opportunities for long-term profitable growth.

During 1984 default, as a percentage of outstanding balances, declined as a result of a number of measures to improve underwriting techniques and collecO writing techniques and collection procedures.

An "exceptionally good" year was achieved by Griffin Factors. Operating profits more than doubled to a record level and, in line with the overall growth in the factoring industry, turnover rose by 34 per cent.

The major joint venture investments in the UK all saw further expansion in their activities and provided a "very useful" contribution to overall profits.

Sir Malcolm Wilcox will retire as chairman of the group on March 31. Mr Ian Paterson will then become chairman and chief executive.

UK COMPANY NEWS

Brengreen to buy roof company for £5.5m

By Paul Ham

Brengreen Holdings, the commercial cleaning conglomerate that vacuums the House of Commons, said yesterday it had agreed to buy the privately-owned Four Seasons Roofing Group for about £5.5m.

Brengreen, run by Mr David Evans, made clear the purchase was part of its plan to develop as a broad-based building services contractor taking in council services, refuse removal and health care as well as its mainstream cleaning business.

Payment to Four Season will be via an issue of 11,828,473 ordinary shares in Brengreen, of which 2,394,558 will be placed at 46p by Morgan Grenfell with clients of Capel-Cure Myers, stockbrokers to Brengreen.

Brengreen's share price closed last night at 47p, unchanged.

Four Seasons, managing director Mr Michael Blunt, will finish with 11.6 per cent of the enlarged capital, and will join the board of Brengreen.

The acquisition, which is subject to shareholder approval, will reduce the stake in Brengreen held by the Hawley Group from 11.8 per cent to 9.7 per cent of the enlarged capital.

Four Seasons sells and repairs roofing and installs insulation, waterproofing, guttering and glazing. It made a £361,000 pre-tax profit in 1983 and estimated at least £600,000 for 1984.

The companies' said the immediate benefit of the take-over was access to the other's customers. Four Seasons, which already has five offices, will soon open a new office in Manchester where Brengreen says it needs to expand.

Brengreen, which employs 23,000 people, last year expanded into the Far East with the £2.07m acquisition of Hutchison-Boag Engineering, a subsidiary of Hutchison Whampoa in Hong Kong.

Pauls still firmly against H & C

Pauls, the animal feeds and malt group, has formally rejected the increased and final £113m bid from Harrisons and Crosfield, the plantations and chemicals concern.

Mr Michael Falcon, chairman, said: "The offer still does not reflect the value of Pauls and we recommend shareholders to reject it."

H & C, which is offering 0.82 of one of its shares or 360p in cash for each Pauls share, has picked up a further 160,000 shares, giving it ownership of 19.49 per cent of Pauls

Pauls shares closed unchanged at 360p and H & C fell 2p to 443p.

Saatchi enters PR field in U.S.

BY ALEXANDER NICOLL

Saatchi & Saatchi, the UK-based advertising and consultancy group, is adding to its string of U.S. acquisitions with the purchase of Rowland Company, a New York-based public relations firm.

The move is Saatchi's first into public relations as it develops an international network of consulting services.

The purchase price will be 10 times the average of Rowland's annual after-tax earnings in the five years to the end of 1989, with Saatchi making an initial payment of US$10m (£9.4m) in cash.

Saatchi said Rowland was one of the top 10 public relations firms in the U.S., and was ranked tenth in the world. It operates only in the U.S., and specialises in marketing public relations and corporate public affairs.

Mr Herbert Rowland, who will remain president of the company under a long-term contract, said the association with Saatchi would enable it to expand both within the U.S. and internationally.

Rowland's pre-tax profits were $2.17m in 1984, producing about $1m after tax. Net tangible assets were about $1.4m at year-end.

Saatchi, Britain's biggest advertising agency, last year acquired the UK advertising agencies Harrison Cowley and Hedger Mitchell Stark, as well as Infocom, a business communications concern.

But its major growth has been in the U.S., where it acquired the Hay management consultancy group; Kleid, a direct marketing company, Yankelovich Skelly & White, a marketing and social science research firm; McBer, a marketing consultancy; and a California-based advertising agency, Cochrane Chase Livingstone.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Framlington, Goodman Brothers, Goodwin, Unigroup, Zambia Copper Investments.

Finals: Alliance Trust, Cifer, Lloyds Bank, New Darien Oil Trust, James Wilkes, Yarrow.

FUTURE DATES

Interims—	
Burgess Products	Mar 26
Lucas Industries	Mar 28
Trafford Park Estates	Mar 20
Finals—	
Christies International	Apr 2
Delaney	*Mar 14*
Eucalyptus Pulp Mills	Mar 22
Fisher (James)	Mar 13
Law Debenture	Mar 14
London and Manchester	Apr 3
Mackay (Hugh)	Mar 20
Manders	Mar 28
Molins	†Apr 10
New London Properties	Mar 14
Nineteen Twenty-Eight Inv. Tst.	*Mar 19*
Slough Estates	Apr 1
Trade Indemnity	Mar 26

† Amended.

Worthington moves to cut bank borrowings

BY ALEXANDER NICOLL

SHARE ISSUES are being made by A. J. Worthington, the loss-making Staffordshire textile company. These will raise £450,000 and effectively give control of the company to Mr Sidney Friedland, a former banker who was appointed chairman last year.

A one-for-one rights issue is planned at 15p per share, raising £300,000. Mr Friedland's company, Fabian Friedland & Sons, will underwrite the issue without commission. It already has 14.9 per cent, and will take a further 20 per cent stake in the expanded capital by subscribing to an additional 1m shares at 15p each.

Friedland's maximum potential shareholding in Worthington, if it was to underwrite the whole rights issue, would be 64 per cent. It is subscribing to the additional 1m shares to capitalise a £150,000 loan made by Mr Frieland when he became chairman in October.

The company had bank borrowings of £520,000 at the end of last September on shareholders' funds of £299,000.

The money is being raised to reduce debt. Mr Friedland has told Worthington he has no plans to change the nature of the group's business.

Pre-tax loss is estimated at not more than £270,000 for the year ended March 31 1985 against £258,000 in the previous year. The company has reduced its activities and sold some property and is continuing a rationalisation.

Worthington's share price was unchanged yesterday at 26p.

Marshall's Universal to sell E. African interests

BY ALEXANDER NICOLL

Marshall's Universal, the vehicle distributor and paper merchant, has reached agreement on the sale of its East African businesses, which distribute vehicles and agricultural equipment, to a Kenyan private company.

The agreement, structured to give each side an option to complete, will bring in about £5m to Marshall's and will also reduce shareholders' funds by about £3.2m, since the sale is below book value.

Although the East African interests have been profitable, Marshall's wanted to sell to reduce its exposure to highly volatile markets.

The agreement is conditional on approval by Marshall's shareholders and the payment to Marshall's of £2.3m in dividends from the businesses being sold.

The options can then be exercised, and the Kenyan firm, Alibhai Enterprises, will pay £2.7m to Marshall's.

The total of £5m would be reduced to £3.9m after tax and expenses, but Marshall's UK borrowings would be reduced by about £1.1m after repayment of inter-company accounts and other debts.

Marshall's said the sale would release substantial capital which would reduce debt in the short term and also enable development of its UK activities.

The East African interests, including Peugeot, Volvo and Honda franchises, contributed up to 40 per cent of group profits and about 25 per cent of turnover. In the first half of 1984, Marshall's had pre-tax profit of £1m on turnover of £31.8m.

BET buys rest of Anglian

BRITISH Electric Traction, construction, transport and laundries group, has completed its acquisition of Anglian Windows, Britain's second largest installer of replacement windows, with the purchase of the 20 per cent minority stake held by Silvermines, an Irish investment group.

BET paid £6.7m for the shares, concluding the purchase of Anglian for a total of £33.5m. Last September BET paid £24.79m for the 74 per cent stake held by Mr George Williams, Anglian's founder, and a further £2.01m for a 6 per cent stake held by Silvermines.

It was agreed then that Silvermines would have an option to sell its remaining shares to BET by the end of 1985.

Mr G. E. Russell, Silvermines' chairman, told the annual meeting in Dublin yesterday that Silvermines had bought a 5 per cent direct interest in the Falcon-Andrau Energy Company 1984 drilling programme in the U.S.

FAE has advised Silvermines that more than 90 per cent of the wells drilled in two fields in Colorado—the Little Well and Owl Creek fields—have been successful.

Apart from its direct stake, Silvermines has a 6.47 per cent holding in Falcon Resources, which in turn has a one third stake in FAE.

Two farm-in wells are to be drilled in blocks 49/14 and 49/15 on the Silvermines Marathon Royalty acreage in the Celtic Sea this summer.

MINING NEWS

High financing costs hit Gencor

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S General Mining Union Corporation group (Gencor) has been hit in the past year by a big increase in financing costs at R480.2m (£222.6m) against R180.5m in 1983, plus the impact of a weak domestic currency on import costs.

Despite the benefit to domestic revenue from export sales, notably of base and precious metals priced in high value dollars, which lifted 1984 gross income by 24 per cent to R887.8m, net attributable income has fallen from R311m to R288m, or 321 cents per share.

The dividend total is maintained at 190 cent with a final of 135 cents.

The financing costs have been boosted by higher interest rates and increased loans, which lifted the interest charge by R220.1m, together with the deterioration in exchange rates which raised costs in this area by R103.9m.

Unrealised currency differences deferred for future amortisation amount to R77.1m after a R13m write-off in 1984 which came on top of normal amortisation.

At end-1984 foreign long-term loans of R323.5m, or 31 per cent, out of a total R1.05bn were not covered by forward currency hedging. This percentage had been reduced to 21.6 by February 28.

Gencor has also suffered losses in its industrial sector, notably the Tedelex television and electrical division and the Kanhym farming and feed-lot operation. Also to be taken into account are stock losses at Impala, its platinum operations.

Jim Jones reports that in Johannesburg yesterday the Gencor board was apologetic, but explained that the foreign exchange losses were to some extent unavoidable and should be seen in the context of savings on the interest rate differential between South African and foreign borrowings.

Mr Tom de Beer, the finance director, explained that any losses on long-term foreign debt will be amortised over the remaining life of that debt. Over the next two years this will increase average finance costs by about 5.5 per cent. The additional cost will fall to an estimated 3.5 per cent in the third year and to 1.3 per cent in the fourth.

Gencor is far from optimistic about an improvement in the value of the rand which would counteract the foreign exchange loss costs. Nor is Mr Ted Pavitt, the chairman, hopeful about immediate prospects for the South African economy.

However, he does not believe that this year will be worse than 1984 for Gencor, noting that the full benefit to export sales of the fall in the rand will be felt this year.

BANK RETURN

BANKING DEPARTMENT	Wednesday March 6 1985	Increase (+) or Decrease (—) for week
	£	£
LIABILITIES		
Capital	14,553,000	—
Public Deposits	5,532,632,374	+ 1,126,937,838
Bankers Deposits	884,897,869	+ 100,185,107
Reserve and other Accounts	1,604,459,876	— 25,494,956
	8,012,453,109	+ 1,201,627,989
ASSETS		
Government Securities	578,558,128	+ 7,316,274
Advance & other Accounts	1,006,723,278	+ 18,171,372
Premises Equipment & other Secs.	6,419,822,205	+ 1,177,927,188
Notes	7,108,708	— 1,787,997
Coin	242,790	+ 1,152
	8,012,453,109	+ 1,201,627,989

ISSUE DEPARTMENT		
	£	£
LIABILITIES		
Notes in circulation	12,032,891,292	+ 41,787,997
Notes in Banking Department	7,108,708	— 1,787,997
	12,040,000,000	+ 40,000,000
ASSETS		
Government Dept	11,015,100	—
Other Government Securities	2,588,794,677	+ 626,174,978
Other Securities	9,440,190,223	— 586,174,978
	12,040,000,000	+ 40,000,000

Amgold down despite better second half

After its first-half setback the Anglo American group's major South African gold share investment company, Anglo American Gold Investment (Amgold), has done better in the rest of the year to February 28. Net profits came out at R236.1m (£109.4m), equal to 1,075 cents per share, compared with R238.6m in the previous year.

An increased final dividend of 550 cents makes up for the cut in the interim, to leave a maintained total for the year of 1,025 cents.

Investment income in the past year decreased slightly, from R242m to R240.6m, largely because of reduced final dividends from some mines,

● COMMENT

The companies which reduced their dividend in September can be expected to be more generous in the current year in the light of the advance in the South African gold price which took place in the final quarter of 1984. Beyond this, Amgold's earnings for the current year should improve if the current gold price is maintained and the mines are able to keep costs in check against any increase in South African inflation. The current dividend yield of 7 per cent on a company of this calibre makes allowance for any uncertainties in the outlook, but is still not especially attractive.

Public Works Loan Board rates

Effective March 6

Years	Quota loans by EIP†	Quota loans A‡	Quota loans repaid at maturity§	Non-quota loans A* by EIP†	Non-quota loans A* A‡	Non-quota loans A* repaid at maturity§
1	—	—	12¾	—	—	13¼
Over 1, up to 2	12¾	12¾	12½	13¾	13¾	13
Over 2, up to 3	12¾	12¾	12½	13¾	13½	12¾
Over 3, up to 4	12½	12½	12	13¼	13½	12¾
Over 4, up to 5	12¼	12¼	12	13¼	13¼	12½
Over 5, up to 6	12	12	12	12¾	13¼	12½
Over 6, up to 7	12	12	12¼	12¾	12¾	12¾
Over 7, up to 8	12	12	12	12½	12½	12¼
Over 8, up to 9	12	12	12	12½	12½	12¼
Over 9, up to 10	12	12	11¾	12½	12½	12¼
Over 10, up to 15	12¼	11¾	11¾	12¼	12¼	11¾
Over 15, up to 25	11¾	11½	11½	12	11¾	11¾
Over 25	11½	11	11	11¾	11½	11½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

BSR makes £27m and gears up for future

FOR THE 1984 year the BSR International technology group pushed its profits before tax up by 29 per cent to £26.8m.

The directors say that as well as achieving expansion in both turnover (43 per cent ahead at £403m) and profits, much time and money has been spent on positioning the group for the future.

Along with the results the group announced that it was closing the record player facility at Stourbridge, Worcester, as the last major move in its reorganisation.

BSR hopes to limit job losses for the 500 staff at Stourbridge by transferring some of them to the expanding electronics business, which is also based in that town.

The reorganisation was started in 1983 and included the transfer of the group's head office and tax domicile to Hong Kong. Mr W. R. Wyllie, the chairman, says the reorganisation has proved to be "extremely costly" and has taken longer than anticipated. But it should be completed by the end of this year.

Mr Wyllie admits that the group is involved in a very competitive area in electronics, but says it is well positioned. "We are not complacent, but we are confident that we can stay ahead of the game."

Earnings in 1984 rose 30 per cent to 15.3p, and the final dividend is 1.85p to lift the total from 2p to 2.4p net.

Mr Wyllie says although 1984 was predominantly a "clean up" year investment on research and development was almost doubled to £8.8m, and gross capital spending of nearly £21m was incurred in establishing new manufacturing plant and facilities and in modernisation.

The investment is confidently expected to lead to further growth and enhanced opportunities, and should also ensure that the need for capital spending in the current year be reduced significantly.

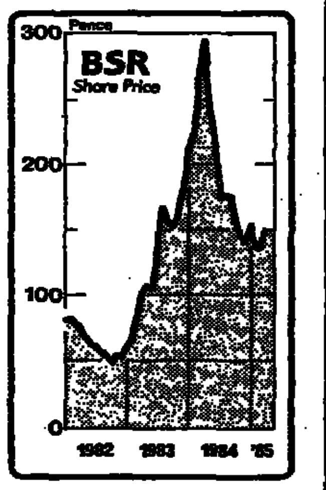
Developments over the past two years have positioned the group as a "powerful manufacturing source for large OEM customers," he says.

"We expect to consolidate these improvements by focusing more attention on plans to further strengthen and expand the group, possibly by acquisition. A number of interesting situations are already being evaluated, and we look forward to the year ahead with confidence," the chairman tells shareholders.

A breakdown of turnover and profit shows electronics £305.8m (£174.6m) and £25.5m (£23.7m); audio £29.2m (£42.9m) and loss £1.9m (£3.1m); housewares £36.6m (£35.3m) and profit £1.2m (loss £0.8m); industrial £31.1m (£29.2m) and £2m (£1m). The overall operating profit returned an increase of 35 per cent to 33.3m, but net interest charges were up from £3.8m to £6.5m.

By virtue of the group reorganisation, a tax saving has been achieved properly taking advantage of the substantial losses of previous years. The tax charge is only £1m (£3.2m).

Extraordinary charges total £8m (£4.3m), resulting principally from non-recurring costs associated with the final closure of audio operations in Canada and Blauvelt, New York. The charge also includes full provision for the costs anticipated in the final closure at Stourbridge.



● comment

The directors of BSR International abandoned the elaborate satellite link-up used to discuss the group's interim figures, for a good, old-fashioned face-to-face talk with analysts in the City yesterday. Reassurance, not gimmicks, were needed after a year which has seen the share price rock between 313p and 125p. BSR has delivered the rapid growth in turnover in electronics that was expected—margins, however, are well down. The directors seem confident that they can move fast enough in the casualty-ridden electronics sector to keep their product and margin mix improving. The decision to completely withdraw from record player manufacturing seemed inevitable when a new linear tracking player failed to command the necessary sales. It was too little, too late, according to chairman Bill Wyllie. The rest of the businesses, industrial and housewares have shown modest improvements. Swann has responded sufficiently to have had its "for quick sale" tag removed. A management buy-out or separate flotation could be on the cards. The directors would like to make an acquisition to build up BSR's asset base and use up some tax losses. It will need to regain market confidence further, before it is likely to issue shares, however. Yesterday's figures were a good start, a million or two above expectations and the shares added 5p to close at 150p. BSR should make around £32m in the current year which gives a prospective p/e of 8 on a minimal tax charge.

ANGLOVAAL LIMITED

(Incorporated in the Republic of South Africa)

Interim Report for the Half-Year ended 31 December 1984

FINANCIAL RESULTS

The consolidated unaudited results are as follows:—

Consolidated Income Statement

	Half-year ended 31 December 1984 R 000	Half-year ended 31 December 1983 R 000	Increase (Decrease) %	Year ended 30 June 1984 R 000
Turnover	1 050 469	884 640	19	1 797 703
Operating profit	69 063	64 733	7	136 155
Income from investments	22 126	12 035	84	33 707
Profit before taxation	91 189	76 768	19	169 862
Taxation	36 642	32 329	13	64 660
	54 547	44 439	23	105 202
Share of associated company earnings	7 599	3,346		8 489
Group profit after taxation	62 146	47 785	30	113 691
Attributable to outside shareholders of subsidiaries and preference dividends	30 949	27 154		61 534
Profit attributable to ordinary shareholders	31 197	20 631	51	52 157
Earnings per ordinary and 'A' ordinary share (cents)	731	488	50	1 233
Dividend per ordinary and 'A' ordinary share (cents)	100	90	11	315

Consolidated Balance Sheet

	31 December 1984 R 000	31 December 1983 R 000	30 June 1984 R 000
Capital Employed			
Equity shareholders' interest	347 465	295 319	315 763
Preference share capital	2 747	2 747	2 747
Outside shareholders' interest	394 102	365 862	375 870
Group shareholders' funds	744 314	663 928	694 380
Deferred taxation	78 320	60 669	73 482
Long-term borrowings	76 205	84 900	52 981
	898 839	809 497	820 843
Employment of Capital			
Fixed assets	383 794	305 729	333 424
Investments—Associates	97 603	72 073	76 846
—Other—Listed	98 754	98 199	98 487
—Unlisted	2 413	5 185	3 459
Loans and long-term debtors	28 936	30 324	29 349
Net current assets	287 339	297 987	279 278
Current assets	1 017 722	757 882	959 597
Current liabilities			
—interest bearing	(131 399)	(87 600)	(93 837)
—other	(598 984)	(372 295)	(586 482)
	898 839	809 497	820 843
Effective number of ordinary shares in issue (000)	4 270	4 230	4 230
Net worth per ordinary share (cents)	15 975	13 211	15 041
	R 000	R 000	R 000
Market value of listed investments and listed associates	596 714	505 426	579 201
Book value of listed investments and listed associates	148 662	143 146	144 536
Borrowing Capacity			
Borrowing powers in terms of most restrictive limitation	723 552	611 792	660 148
Borrowings	207 604	172 500	146 818
Unutilised borrowing capacity	515 948	439 292	513 330

Comparative Figures

The Group has adopted the equity method of accounting for the results of its associated companies and all results reflected in this report have been adjusted accordingly. This method has not been applied to the Group's investment in Prieska Copper Mines (Pty) Limited ("Prieska"), due to the impending cessation of mining operations. The results for Prieska have been accounted for only to the extent of the dividend received.

The results for the six months to 31 December 1983 have been restated to take account of the imposition of the higher tax rate and the change, by certain subsidiaries, of their method of accounting for stock.

Capital Expenditure

The capital expenditure of the Group for the half-year to 31 December 1984 was R52.0 million (1983 R41.7 million). Commitments for further capital expenditure at 31 December 1984 amounted to R85.9 million (1983 R37.7 million).

Extraordinary Items

The following items which refer to the period have not been taken into account in calculating earnings attributable to members.

	31 December 1984 R 000	31 December 1983 R 000
Surplus on disposal of trade investments	976	468
Surplus on disposal of land and buildings	311	1 454
Goodwill written off	(2 429)	(566)
	(1 142)	1 356

Commitments and Contingent Liabilities

At 31 December 1984 commitments under finance leases and to a lessor trust amounted to R6.1 million (1983 R7.6 million). Contingent liabilities amounted to R11.2 million (1983 R10.9 million).

Comment

The increase in earnings for the six months to 31 December 1984 is due mainly to higher dividends from mining companies benefiting from higher prices in rands for their commodities. Consolidated earnings of the Group thus increased by 19% excluding the dividend from Prieska. Including the dividend of 30 cents per share (1983—nil) from Prieska, the Group's earnings growth amounted to 50 per cent. As Prieska is scheduled to cease mining operations about mid-1986, earnings derived from this source are not of a continuing nature.

The Company's interim dividend declared for the half-year was increased from 90 cents to 100 cents per share.

Income from mining sources for the financial year ending 30 June 1985 is expected to show an increase over the previous financial year, assuming no material alteration in market conditions.

The Group's industrial companies continued to operate under difficult market conditions, which, coupled with the high level of interest rates, resulted in profits being maintained at the level of the previous year. It is envisaged that such conditions will persist throughout the remainder of this financial year and thus no meaningful earnings growth is expected from this source.

As a consequence of the above, group earnings are expected to show a modest increase for the year.

Dividends Declared or Paid During the Half-Year	31 December 1984 R 000	31 December 1983 R 000
Half-yearly dividends on 5 per cent and 6 per cent preference shares	72	72
Interim dividend of 100 cents per share (1983—90 cents) on the ordinary and 'A' ordinary shares	3 566	3 210
Interim dividend on the participating preference shares at a fixed rate of 5 per cent per annum plus a participation of 50 cents per share (1983—45 cents)	869	750

For and on Behalf of the Board
B. E. Hersov, Chairman
Clive S. Menell, Deputy Chairman
Directors

Registered Office:
Anglovaal House
56 Main Street
Johannesburg 2001
7 March 1985

London Secretaries:
Anglo-Transvaal Trustees Limited
295 Regent Street
London W1R 8ST

Directors: B. E. Hersov D.M.S., Hon. LL.D. (Chairman), Clive S. Menell (Deputy Chairman), B. L. Bernstein Hon. LL.D., D. J. Crowe (British), E. H. Fox, R. J. Hamilton, W. W. Malan, J. C. Robbertze, R. T. Swemmer.

Federated Housing held back by interest fears

THE THREAT of high interest rates in the closing months of 1984 had a depressing effect on the housing market and the result of Federated Housing. Consequently, its profit before tax for the year was a little short of "best expectations" although it did show an 11 per cent increase, from £1.13m to £1.25m.

Mr Peter Meyer, the chairman of this USM housebuilder, says the uncertainty over interest rates has intensified in the early part of 1985. But sales have "held up well" during the first two months and, dependent on the general economic climate, he looks forward to further progress in the year.

Shareholders receive a final dividend of 2p net for 1984, which gives them a total of 3p, or 22 per cent more than indicated in the November 1983 prospectus.

Turnover rose from £11.28m to £17.27m and the discrepancy between that rate of growth and that shown in the pre-tax profit was largely the result of sales of those properties acquired from Crouch Homes, which produced a lower margin than Federated's ongoing development activities.

Mr Meyer says the commitment to retirement housing has been actively pursued. Three schemes should be completed this year and several further sites are already identified for 1986.

At the same time the company is moving away from one bedroom units to slightly larger housing.

After tax £500,000 (£488,000) the net profit for 1984 came to £752,000 (£639,000) for same again earnings of 8.4p per share.

COMPANY NEWS IN BRIEF

Davies & Metcalfe, mechnical and electrical engineer, saw pre-tax profits fall some 46 per cent to £334,701, against £622,982, in the year to December 31 1984.

At the interim stage, the company reported a pre-tax profit of £455,000. Full year profits after tax were even further depressed at £16,216 (£267,804). Adjustments in opening net investments in foreign subsidiaries were £68,641 (nil).

A final dividend of 1.58p (same) will be paid, making 2.21p for the full year (same).

* * *

The offer of 2.4m shares at 34p each by Chieftain Industries is being sponsored by Clarke Farquharson and Partners, licensed dealers in securities. Granville and Co is not involved in the issue.

* * *

Higher pre-tax profits of £7.48m against £5.91m have been produced by Barlow Holdings for 1984, and the directors have announced an agreed merger which will result in Barlow becoming a wholly owned subsidiary of Majedie Investments.

A final dividend of 3.8p (3.4p) gives Barlow a higher otal of 4.85p against 4.4p. Earnings per share were shown as rising from 7.8p to 10.55p, before extraordinary profits of £7.22m last time.

Investment income came to £5.03m (£4.42m) and there were investment profits of £2.91m (£2.03m).

* * *

Of the offer for sale by tender by Mid Southern Water Company of £5.25m 9 per cent redeemable preference stock, 1990, £12,775,000 has been applied for, at an average price of £101.826. Dealings are expected to start today. Brokers to the issue were Seymour, Pierce & Co.

* * *

At the end 1984, net asset value of City and Foreign Investment had risen to 159.5p, compared with 132.5p six months earlier and with 145.75p at the end of the previous year.

Corah's profits top £3m and orders hold strong

DESPITE PRESSURE on margins due to low-cost imports Corah, a major supplier to Marks and Spencer, raised its 1984 pre-tax profits from £2.68m to £3.11m.

An increased final dividend of 2.4p lifts the total by 0.3p to 4p net per 25p share.

The 16 per cent rise in profits was after absorbing a post-acquisition trading loss of £35,000 in respect of the Reliance group and allocating £75,000 to Corah's employee share scheme.

Group sales for 1984 pushed ahead from £59.9m to £69.38m and took in £1.5m from Reliance, itself a supplier to M & S.

Reliance was taken over by Corah for £2.78m early last December. The company's principal activity is the manufacture of underwear, outerwear, pyjamas and socks. Corah, based in Leicester, makes knitted garments and fabrics.

Mr Nicholas Corah, group chairman, says he is confident Reliance will prove a sound investment despite its rapidly deteriorating trading situation at the time of the takeover.

Integration is progressing satisfactorily and the rationalisation is substantially complete. Losses have been stemmed and a "modest" contribution to group profits is expected during the current year.

Looking to 1985 Mr Corah says group margins remain under pressure. He adds that it is increasingly difficult to recover through higher selling prices the effect of dollar-based raw materials which constitute a significant proportion of group costs.

Corah's market place is influenced by an overwhelming level of low-priced imports. However, the order book remains strong with a continuing investment in advanced technology the directors believe the group will be able to increase its market share in the fields which are "truly progressive and profitable."

Trading profits for 1984 improved from £2.68m to £3.18m and broke down as to UK £3.23m (£2.41m), Canada £54,000 loss (£280,000 profit) and overseas subsidiaries £1,000 (£8,000 loss).

Tax accounted for £931,000 (£547,000)

Earnings per share were held at 7.2p.

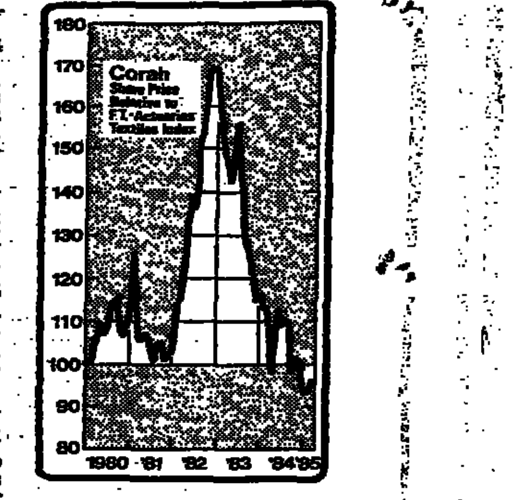
Trading during the first six months of 1984 was very satisfactory but, while production performance was sustained throughout the second half of the year, sales of winter merchandise were delayed by the mild weather in November and December. Year-end stocks were therefore higher than planned.

Capital expenditure amounted to £1.94m. The group continued to invest in advanced technology and design, particularly to support the major growth areas of leisurewear and knitwear where its order book has developed strongly.

Corah's substantial share of the basic product market was maintained through improved design and garment engineering.

Canada fell into loss after several years of progress because of adverse trading conditions. Indications for 1985 are more encouraging.

Last August Mr Corah told shareholders that the order book for the second half of the year was strong and that to meet the demand the group was increasing its production resources by further recruitment and by the acquisition of Elite Hosiery.



● comment

With the 16 per cent sales increase containing a significant element of volume gains, it is a little disappointing that Corah managed to only maintain the pre-tax margin at 4.5 per cent. There are a number of reasons for this. In essence capital expenditure has been running at a fair rate and a higher stock position coupled with a reduced cash flow over recent years has pushed up borrowings. The underwear and socks side has come under pressure from cheap imports, leaving the shortfall to be made up by leisurewear and knitwear, where the increased design content gives greater scope for added value. On top of this the adverse climate in Canada has taken its toll. Given these factors, these results are actually quite creditable, with the Marks & Spencer link providing the usual solid base. This year should see further progress on the basis of a recovery in Canada and a first-time contribution from Reliance, an acquisition that will help the group overcome its shortage of stitching capacity. With around £3.8m in prospect, a 30 per cent tax charge puts the 68p shares on a prospective multiple of 8.7, which seems fair enough on the company's track record.

Weber agrees terms for Thames Inv.

Weber Holdings, the Manchester-based property investment company, has agreed terms for the acquisition of USM-quoted Thames Investment & Securities.

The two companies announced in October that talks were taking place which could lead to an offer being made.

The terms, 5p cash for each £1 ordinary and 5p cash for each 75p preference share, values the whole of Thames issued capital at £231,172. The company came to market in 1980 via a placing in which subscribers were offered one ordinary and one preference share for a total 296p.

Directors of Thames and their financial advisers consider the terms to be fair and reasonable and recommend acceptance.

For the year to May 31, 1984 Thames incurred pre-tax losses of £1.43m (£2.56m). The preference dividend is again being omitted. Administration expenses were cut to £1.07m (£2.3m) but interest charges rose to £1.53m (£1.05m).

Below the line extraordinary debits fell from £3.4m to £887,000 and loss per share came through at 38.5p (75.4p).

Upon the offers becoming unconditional Weber will be the major secured creditor of the Thames group.

Thames share dealings were suspended last October. The ordinaries reached a high of 242p in 1981.

Gencor

General Mining Union Corporation Limited

(Incorporated in the Republic of South Africa)

AUDITED CONSOLIDATED RESULTS 1984

	1984 R Million	1983 R Million
Group Income before Taxation	412.3	484.1
Group Income after Taxation	316.6	399.4
Attributable earnings*	287.9	310.6
Ordinary Dividends	152.0	151.9

	1984	1983
Earnings per share	321c	388c
Dividends per share	190c	190c
Asset Value per share	4,326c	4,152c

* Before deducting extraordinary item of R5.3 million (nil) and interest on convertible debentures.

The contribution of Mining to Attributable Earnings was R207.2 million against R143.6 million in 1983 whilst that of Commerce and Industry fell from R124.0 million to R21.5 million mainly due to losses totalling R108.8 million from Tedelex and Kanhym.

Financing costs incurred by the Group during the year (less amounts capitalised) amounted to R480.2 million (R180.5 million) and included provision for that element of the cost of foreign loans attributable to currency fluctuations.

FINAL DIVIDEND declared on 7 March 1985—Payable 18 April 1985

Amount per share 135 cents—Currency conversion 1 April 1985

The above has been abridged from the full preliminary statement copies of which are available at the office of the London Secretaries, 30 Ely Place, London, EC1N 6UA

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday March 8 1985

First of a monthly coal market series, Page 40

WALL STREET

Rate concern hampers activity

CONCERN about the outlook for interest rates and the dollar continued to dominate Wall Street yesterday, sending stock prices lower, although bond prices managed a late recovery from early declines, *writes Michael Morgan in New York.*

Activity was also inhibited ahead of publication, after the stock market had closed, of the latest money supply figures. In the event, the $3.6bn rise in the M1 measure was above analysts expectations.

The stock market opened lower and despite efforts to rally it closed at its lowest level of the day, with the Dow Jones industrial average down 8.84 at 1,271.53. Volume of 112m shares remained at the high levels seen in recent weeks.

In the credit markets prices of treasury coupon issues recovered late in the day from early declines on the back of a federal funds rate that opened at 8⅝ per cent and later firmed to 8½ per cent.

The price of the key long bond, the 11¼ per cent of 2015, was little changed at 94 24/32.

In the money markets yields on Treasury bills were sharply higher. The three-month bill, yielding 8.81 per cent, was 12 basis points firmer, while the six-month bill, yielding 9.13, was 19 basis points higher. Gains of up to 15 basis points were seen in yields of shorter-dated certificates of deposit.

In the stock markets Sperry was an active feature with the stock more than $2 ahead at one stage following market rumours that it was again negotiating with another major company to be acquired at a price of about $65 a share. The stock closed just $⅛ up at $51⅛, however, shortly ahead of a categorical statement from the company that it was not in negotiations with any potential buyer and no such talks were planned.

National Intergroup dipped $⅛ to $30¼ as the chairman told shareholders a preliminary count of proxies showed a clear majority in favour of the steel group's contested merger with Bergen Brunswig. Bergen, the drugs and health care group, dipped $¼ to $25⅝.

H. H. Robertson, the metal building products group, added $½ to $39⅝ after the Vancouver-based First City Financial Corp – controlled by the Belzberg brothers and Guardian Industries – said in an SEC filing they were seeking representation on Robertson's board and clearance to raise their stake.

LTV eased $⅜ to $10¼ as further consideration was given to the group's warning that it might post a $100m first-quarter loss from continuing operations.

Asarco picked up a further $¼ to $26 with analysts speculating that the non-ferrous metals mining company would probably fight any takeover bid from Australian financier Mr Robert Holmes à Court following his recent purchase of 9 per cent of the stock.

Pan American picked up $⅛ to $4½ as unions representing its pilots and flight engineers agreed to a return to work. Members of the airline's ground staff remain on strike over a new contract.

American Natural Resources added $1⅜ to $62⅞ as it began discussing the possibility of a "white knight" merger with Houston Natural Gas and other companies, in an effort to fend off the hostile bid from Coastal Corporation. HNG dipped $⅛ to $46⅝, while Coastal put on $⅛ to $34⅞ as it announced higher net earnings for last year and the board reaffirmed its intention to continue with the bid for ANR.

McDonald's, the fast food group, fell $2¼ to $58½ after an analyst removed the stock from his list of recommended purchases.

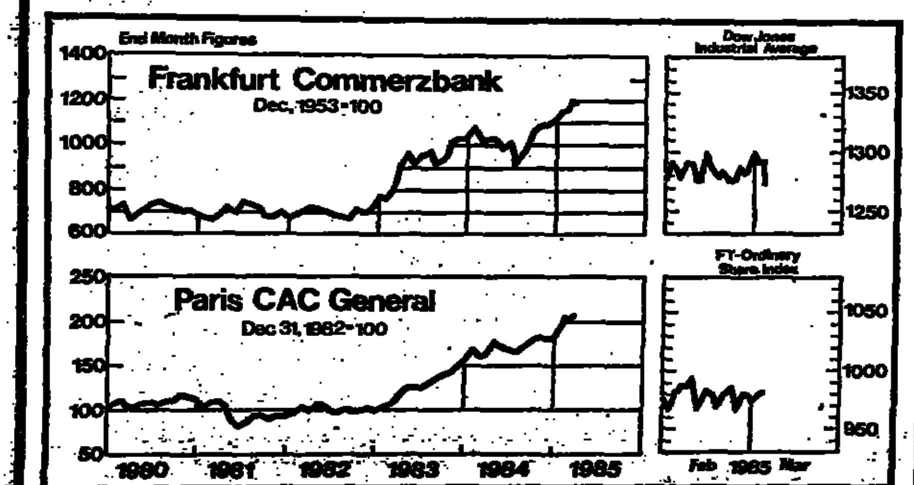
Schering Plough was unchanged at $38⅜. It denied claims that it would be prevented from developing and marketing a genetically produced Alpha Interferon by a patent awarded to Hoffmann-La Roche.

ITT eased $½ to $32⅞. A $1¼ gain was seen in the stock late the previous session as the company said it did not believe a rumour that the Pritzker family of Chicago was planning a bid.

Apple Computer fell $2½ to $22⅛. It is to close its three manufacturing plants for a week later this year because poor Christmas sales have left it with excessive inventory.

Among blue chips IBM eased $2½ to $130⅝, General Motors $¼ to $78½ and General Electric $⅛ to $62⅞. Aerospace issues saw Lockheed down $1¼ to $49⅝, McDonnell Douglas $2⅝ lower at $78⅜ and General Dynamics $1⅝ off at $75⅝.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Mar 7	Previous	Year ago
DJ Industrials	1,271.53	1,280.37	1,143.63
DJ Transport	618.58	623.23	499.18
DJ Utilities	148.13	148.39	126.88
S&P Composite	179.51	180.65	154.57
LONDON			
FT Ord	987.6	990.4	837.7
FT-SE 100	1,285.8	1,285.4	1,063.1
FT-A All-share	619.59	619.26	500.06
FT-A 500	677.74	677.63	537.84
FT Gold mines	481.0	467.8	696.9
FT-A Long gilt	10.83	10.86	10.03
TOKYO			
Nikkei-Dow	12,414.80	12,498.67	10,021.2
Tokyo SE	986.80	990.59	781.86
AUSTRALIA			
All Ord.	797.7	797.7	725.0
Metals & Mins.	481.1	481.4	500.2
AUSTRIA			
Credit Aktien	72.05	71.2	55.45
BELGIUM			
Belgian SE	2,300.65	2,308.23	–
CANADA			
Toronto			
Metals & Minls	2,079.9*	2,095.6	2,213.0
Composite	2,627.5*	2,643.0	2,399.8
Montreal			
Portfolio	131.48*	132.39	117.67
DENMARK			
Copenhagen SE	178.02	177.72	196.21
FRANCE			
CAC Gen	205.8	205.6	161.7
Ind. Tendance	111.40	111.10	85.95
WEST GERMANY			
FAZ-Aktien	415.08	417.60	346.44
Commerzbank	1,196.6	1,201.8	1,015.0
HONG KONG			
Hang Seng	1,389.14	1,383.28	1,091.44
ITALY			
Banca Comm.	279.19	272.89	217.55
NETHERLANDS			
ANP-CBS Gen	205.2	206.8	161.5
ANP-CBS Ind	162.5	163.0	132.7
NORWAY			
Oslo SE	318.71	317.10	253.64
SINGAPORE			
Straits Times	852.65	849.72	1,023.17
SOUTH AFRICA			
Golds	885.1	n/a	1,052.4
Industrials	847.2	n/a	1,030.0
SPAIN			
Madrid SE	111.15	112.17	85.42
SWEDEN			
J & P	1,429.06	1,443.79	1,500.51
SWITZERLAND			
Swiss Bank Ind	427.0	428.6	364.1
WORLD	Mar 6	Prev	Year ago
Capital Int'l	196.6	197.6	184.0

GOLD (per ounce)

	Mar 7	Prev
London	$289.75	$287.25
Zürich	$290.35	$287.55
Paris (fixing)	$289.19	$286.38
Luxembourg	$289.45	$286.75
New York (Apr)	$291.00	$292.90

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Mar 7	U.S. DOLLAR Previous	STERLING Mar 7	STERLING Previous
$	–	–	1.0665	1.0725
DM	3.397	3.38	3.625	3.625
Yen	261.0	261.2	278.5	280.25
FFr	10.3825	10.335	11.0775	11.065
SwFr	2.903	2.8975	3.095	3.1225
Guilder	3.8475	3.869	4.1	4.1475
Lira	2,116.5	2,112.0	2,258.0	2,294.0
BFr	68.2	68.75	72.75	74.15
C$	1.40175	1.402	1.4905	1.4925

INTEREST RATES

Euro-currencies (3-month offered rate)	Mar 7	Prev
£	14 1/16	14 1/16
SwFr	5¾	6 3/16
DM	6 7/16	6 9/16
FFr	11 5/16	11⅜
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 11/16	9 13/16
6-month U.S.$	10 7/16	10 7/16
U.S. Fed Funds	8½	8 9/16
U.S. 3-month CDs	9.30	9.10
U.S. 3-month T-bills	8.79	8.67

U.S BONDS

Treasury	Mar 7* Price	Mar 7* Yield	Prev Price	Prev Yield
10 1987	98 17/32	10.85	98 23/32	10.75
11⅝ 1992	98 2/32	11.92	98 18/32	11.85
11¾ 1995	95 30/32	11.97	96 8/32	11.90
11¼ 2015	94 14/32	11.94	94 24/32	11.90
Corporate	**Mar 7* Price**	**Yield**	**Prev Price**	**Yield**
AT & T				
10⅜ June 1990	95	11.65	95	11.65
3⅞ July 1990	74¼	10.30	74¼	10.30
8⅝ May 2000	74⅝	12½	74⅝	12½
Xerox				
10⅞ March 1993	92¼	12.20	92¼	12.20
Diamond Shamrock				
10⅜ May 1993	91½	12.30	91½	12.30
Federated Dept Stores				
10⅜ May 2013	88.128	12.55	88.128	12.55
Abbot Lab				
11.80 Feb 2013	93.47	12.65	93.47	12.65
Alcoa				
12⅜ Dec 2012	94.36	13.00	94.36	13.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	68–20	68–21	68–08	68–25
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.21	91.31	91.18	91.32
Certificates of Deposit (IMM) $1m points of 100%				
March	90.60	90.59	90.55	90.57
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.21	90.25	90.18	90.29
20-year Notional Gilt £50,000 32nds of 100%				
March	103–30	104–03	103–28	103–26

COMMODITIES

(London)	Mar 7	Prev
Silver (spot fixing)	532.85p	532.40p
Copper (cash)	£1,302.50	£1,283.00
Coffee (March)	£2,407.50	£2,390.00
Oil (spot Arabian light)	$27.825	$27.890

LONDON

Barclays call chokes enthusiasm

BARCLAYS' call for a £507m rights issue tended to choke investment enthusiasm for London stocks yesterday. The sheer size of the issue, exceeded only by British Petroleum's call in 1981, did not raise any eyebrows because the proposed terms were considered very favourable. The shares fell 7p to 583p after disappointing annual profits, in contrast with British Petroleum which put on 5p to 553p after earnings of £1.4bn for 1984.

The FT Ordinary index closed down 2.8 at 987.6.

Illustrating the subdued overall scene, the eagerly awaited Monopolies Commission report on Lonrho and House of Fraser aroused only a flicker of interest. Currently in receipt of a 400p per share cash offer from Alfayed Investment Trust, House of Fraser rose 10p to 410p.

Sterling's recovery brought a small rally in Government securities.

Chief price changes, Page 32, Details, Page 33; Share information service, Pages 36–37

CANADA

MODERATE losses in slow trading continued Toronto's retreat.

Canadian Imperial Bank was off C$¼ at C$30¼ despite an earnings advance in the first quarter. Bell Canada declined C$⅛ to C$39¼, Royal Bank fell C$½ to C$29⅞ but Daon Development put on 10 cents to C$5.25. Seagram slipped C$⅜ to C$59 and Alcan eased ⅜ to C$37⅞.

Montreal traded generally lower, with small gains registered in industrials.

SOUTH AFRICA

A FIRM trend in Johannesburg gold shares was underlined by the higher bullion price. Vaal Reefs led the field with a R5.50 increase to R171, FS Geduld closed up R2 at R42, Driefontein edged ahead 25 cents to R48.25 and Buffels showed a 50 cents increase to R68.

Industrials were mixed, with Barlow Rand unchanged at R9.65 and SA Breweries steady at R5.95.

AUSTRALIA

NERVOUSNESS over currency fluctuations and some quick profit-taking left Sydney lower. The All-Ordinaries index was down 0.1 at 797.6.

Banks eased on lack of interest with ANZ down 7 cents to A$4.48, National Australia down 2 cents to A$3.53 and Westpac down 1 cent to A$3.44.

Oil and gas shares were firmer with Crusader up 12 cents to A$2.50.

SINGAPORE

ACTIVE dealings took Singapore ahead, with banking issues among the few to show patches of weakness. The Straits Times industrial index rose 3.52 to 852.65.

MUI put on 5 cents to S$2.51, Straits Trading advanced 6 cents to S$4.68 and Haw Par added 7 cents to S$2.52.

DBS slipped 10 cents to S$6.20 and UCB declined 4 cents to finish at S$4.62.

HONG KONG

BANKS proved to be the most sought-after issues in Hong Kong and the Hang Seng index closed up 5.86 points at 1,389.14.

Hongkong and Shanghai Bank added 10 cents to HK$8.80, Hang Seng Bank advanced 25 cents to HK$46.75 and Overseas Trust Bank rose 17 cents to HK$2.87.

TOKYO

Sharp drop from high elevations

THE OVERNIGHT drop on Wall Street, combined with the persistent concern over the recent price upsurge, forced equities down sharply in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Some biotechnology-related issues drew interest in selective trading, along with lower-priced incentive-backed stocks.

The Nikkei-Dow market average surrendered 83.87 to 12,414.80, although turnover swelled to 515m from Wednesday's 480m shares with selective buying focusing on lagging low-priced issues. Declines led advances 410 to 337, with 158 issues unchanged.

Investors sought a segment of low-priced biotechnology stocks for capital gains. Green Cross surged Y180 to Y3,130 at one stage on the growth potential of tumour necrosis factor (TNF), but closed Y30 firmer at Y2,980 under profit-taking pressure in late trading.

Mitsubishi Chemical Industries, the day's second-busiest issue with 19.79m shares traded, rose Y5 to Y442. However, Asahi Chemical weakened Y3 to Y820, and Nichirei shed Y4 to Y396. Mochida Pharmaceutical plunged a maximum Y500 to Y9,510, slipping below Y10,000.

The strong popularity of low and medium-priced stocks due to the growing possibility of a tightening of restrictions on margin trading was significant. Among such stocks was Mitsui Engineering, which climbed Y13 to Y187, with the largest volume of 25.57m shares, despite the absence of particular incentives.

Mitsubishi Metal advanced Y17 on reports of its production of artificial blood material, but ended Y6 down at Y683 on late selling. Sumitomo Metal Mining gained Y40 to Y1,700 on speculative purchases.

Unitika continued to attract buyers due to its amorphous alloy fibre development, but registered a gain of only Y2 to Y234. Kyodo Printing added Y41 to Y484.

Elsewhere, Mitsui Construction slumped Y10 to Y294, and Tobishima Corp., a contractor, declined Y8 to Y277.

Blue chips remained at a low ebb with the exception of Alps Electric, which firmed Y90 to Y2,330 after the announcement of a gratis 10 per cent capital increase at the end of the month. Sony was down Y170 to Y4,660.

Bond prices fell almost across the board in extremely lethargic trading, reflecting the uncertain outlook for the U.S. bond market. Big institutional investors stood aside with the approach of the settlement of accounts for the business year ending March.

Some securities companies with large holdings issued small-lot selling orders, lowering bond prices. The yield on the benchmark 7.3 per cent government bond, due in December 1993, rose to 7.00 per cent from 6.950 per cent.

EUROPE

Focus shifts to corporate results

THE FOCUS of attention on the European bourses shifted yesterday from currencies to a batch of healthy corporate trading results and forecasts.

Frankfurt, which reached record highs earlier this week, made steady progress back to those peaks with a 5.2 rise in the Commerzbank index at 1,196.6. Turnover was low compared with recent levels, although demand was centred mostly on blue chip issues.

Hoechst, the latest of the chemicals groups to report for 1984, added DM 2.30 to DM 212.30, another high for the year.

Preussag was unchanged at DM 269 ahead of its final quarter profits for 1984 and an optimistic forecast for the current trading year.

Overseas investors were still detected in many sectors. Quality cars, which have found substantial foreign support in recent weeks, were buoyant with Porsche hitting a new all-time peak with a DM 19.50 surge to DM 1,370.

Daimler's DM 1 rise to DM 690 was sufficient to take it to a year's high.

Banks were the main weak feature of the session with Commerzbank trading 30 pfg lower to DM 163.80. Deutsche Bank, however, put on DM 3 to DM 422.

Profit-taking emerged in isolated areas taking construction group Holzmann DM 3 lower to DM 397

Bonds eased by up to 30 basis points although isolated gains of 10 basis points were achieved. The Bundesbank sold DM 2.9m in paper after buying DM 66.2m on Wednesday.

Amsterdam took its lead from the overnight fall on Wall Street and remained at lower levels throughout the entire session. The ANP-CBS General index shed 1.6 to 205.2.

Philips finished 10 cents cheaper at Fl 62.50 ahead of results, while Ahold shed Fl 2.50 to Fl 222.50 despite the announcement of higher profits for 1984 on Wednesday.

A twinge of profit-taking developed in some recently favoured internationals such as Royal Dutch, Fl 2.70 down at Fl 202.60, Unilever, Fl 3.50 cheaper at Fl 343.50, and KLM, 80 cents off at Fl 59.60.

Featureless trading developed in the bond market with declines of up to 20 basis points. The bourse bond index put on 0.2 to 101.7 and the average yield on all state loans rose to 8.11 per cent from 8.08 per cent.

A weaker trend evolved in **Zurich** with banks losing some ground. Swiss Bank shed SwFr 1 to SwFr 368 on further consideration of its results although analysts are expecting substantial growth from the banking sector this year after a healthy 1984 profits performance.

Most losses were small although Brown Boveri shed SwFr 40 to SwFr 1,735 and Jacobs Suchard surrendered SwFr 100 to SwFr 6,250.

Uncertainty in the bond market about possible interest rate developments left most prices easier.

Nervous trading took its toll on **Brussels** with profit-takers to the fore.

Petrofina shed a further BFr 20 to BFr 7140 although Delhaize found additional support with a BFr 140 surge to BFr 8,000, a new peak. The retailer has gained BFr 400 so far this week.

Paris extended some of the hesitant gains of the previous session while **Madrid** continued lower with the exception of steels. **Milan** ignored the forthcoming end-month technical pressures to score a sharp gain, while quiet uneventful trading dominated an easier **Stockholm**. Asea was steady at SKr 335 amid results.

Copenhagen firmed by the close although Novo Industirie shed DKr 50 to DKr 1,690 ahead of results.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.4	16	231	20½	20	20¼	-¼
23	9⅜	AGS			11	19	15¼	15	15	-⅛
18⅛	11	AMCA				2	11½	11⅜	11½	+¼
17⅞	13⅞	AMF	.50	3.0	37	231	16½	16⅜	16½	
43¼	24¼	AMR			9	6822	40⅜	39⅝	39⅞	-⅜
20¼	18¼	AMR pf	2.18	11.		7	u20⅜	20⅛	20¼	+⅛
25⅞	22⅞	ANR pf	2.67	11.		181	25⅜	25¼	25¼	-⅛
23	19	ANR pf	2.12	10.		100	21	21	21	-½
14¾	8½	APL			3	34	10¾	10½	10¾	+¼
59¾	44⅜	ASA	2	4.2		338	47½	47⅛	47¼	-¼
27	16	AVX	.32	1.4	14	218	23¼	22⅞	23	-⅛
50⅛	36¾	AbtLab	1.20	2.5	15	2330	49	48½	48⅝	-¼
25⅞	18½	AccoWds	.44	1.8	19	783	24⅝	23¾	23⅞	-⅜
22½	12½	AcmeC	.40	2.3		32	18	17½	17⅝	-⅛
10¾	8¼	AcmeE	.32b	3.2	12	2	9⅞	9¾	9⅞	
17⅜	15	AdaEx	2.11e	13.		78	16¾	16½	16½	-⅛
20	11⅞	AdmMl	.32	1.7	6	47	19⅜	18⅞	18⅞	-⅝
19½	6⅝	AdvSys	.81t	7.1	18	130	11⅝	11⅜	11⅜	
41⅛	25⅜	AMD			13	3458	32¼	31¼	31⅝	
12¾	6⅞	Advest	.12	1.1		331	11	10⅝	11	+⅛
14⅝	8¾	Aerflex			13	64	13⅞	13½	13⅝	-⅛
42⅝	27¼	AetnLf	2.64	6.6	39	1128	40⅝	40	40¼	-¼
58¾	52⅜	AetL pf	5.83e	10.		77	56⅛	55⅝	55¾	+¼
32⅛	15¾	Ahmns	1.20	4.2	16	2061	28¼	28	28¼	+¼
4⅞	2⅝	Aileen			21	170	2⅞	2¾	2¾	-⅛

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
46 1/4	33 1/4	Xerox	3	6.7	18	2083	45 1/8	44 3/8	44 1/2	− 1/2
51 3/8	45 1/4	Xerox pf5.45		11.		5	49 5/8	49 1/2	49 5/8	+ 1/8
30	24	ZaleCp	1.32	4.5	9	26	29 1/2	29 1/4	29 3/8	− 1/8
24 7/8	14 1/2	Zapata	.84	5.8	17	741	14 7/8	14 1/2	14 1/2	− 3/8
58	30	Zayre	.40b	.7	14	367	55 1/4	54 1/2	55 1/4	+ 1/8
31 1/4	18 1/8	ZenithE			8	579	22 1/4	21 3/4	22	− 1/2
21 7/8	14 3/8	Zero s			19	29	21 1/8	20 7/8	21	
31 3/8	21 1/8	Zumin	1.32	4.4	11	102	30	29 3/4	29 7/8	+ 1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 7	Price Sch%	+ or —
Creditanstalt	240	......
Goesse	470	+16
Interunfall	510	......
Laenderbank	255	+1
Perlmooser	422	+14
Steyr-Daimler	174	—1
Veitscher Mag	379	+11

BELGIUM/LUXEMBOURG

Mar. 7	Price Frs.	+ or —
B.B.L.	1,860	......
Banq. Int. A. Lux	5,950	+50
Bekaert B	5,730	—70
Ciment CBR	2,690	......
Cockerill	278	—9
Delhaize	800	+140
EBES	3,020	+5
Electrobel	8,500	—100
Fabrique Nat	2,195	+5
GB Inno BM	3,180	+75
GBL (Brux)	2,175	—50
Gevaert	4,200	+75
Hoboken	6,020	+50
Intercom	2,290	—15
Kredietbank	8,140	+20
Pan Hldgs	11,600	......
Petrofina	7,140	—20
Royale Belge	10,700	......
Soc. Gen. Banq	5,480	+5
Soc. Gen. Belge	2,030	—10
Sofina	7,930	—20
Solvay	4,540	—50
Stanwick Intl.	1,530	......
Tractionel	4,280	......
UCB	5,340	—50
Wagon Lits	2,640	—30

DENMARK

Mar. 7	Price Knr %	+ or —
Andelsbanken	298	+1
Baltic Skand	540	......
CopHandelsbank	290	—2
D. Sukkerfab	550	......
Danske Bank	283	......
De Danske Luft	1,260	......
East Asiatic	169	+6
Forenede Brygg.	835	......
Forenede Damp.	94	+2
GNT Hldg	426	—2
I.S.S.B.	414	+10
Jyske Bank	535	......
Novo Ind.	1,690	—50
Privatbanken	249	+2
Provinsbanken	311	+1
Smidth (F)	225	—1
Sophus Berend	970	......
Superfos	497	+11

FRANCE

Mar. 7	Price Frs.	+ or —
Emprunt 4½% 1973	1650	—1
Emprunt 7% 1973	7,605	—31
Accor	276	+1
Air Liquide	630	—5
BIC	556	—3
Bongrain	1,720	—5
Bouygues	640	—8
BSN Gervais	2,396	—12
CIT-Alcatel	1,248	—3
Carrefour	1,958	+8
Club Mediter'n	1,207	+2
Cie Bancaire	580	+4
Cofimeg	265.4	—1.6
Damart	2,300	+10
Darty	1,248	—2
Dumez S.A.	605	—3
Eaux (Cie Gen)	561	+4
Elf-Aquitaine	241	+2.2
Essilor	2,920	—10
Gen. Occidentale	766	—3
Imetal	89.3	+3.3
Lafarge Coppee	425.9	+3.9
L'Oreal	2,387	+12
Legrand	2,073	—5
Maisons Phenix	212	+7
Matra S.A.	1,896	+10
Michelin B	925	+10
Midi (Cie)	2,238	+3
Moet-Hennessy	2,005	+20
Moulinex	113.7	+0.2
Nord Est	79	+0.4
Pernod Ricard	720	—5
Perrier	537	—2
Petroles Fra.	271.5	—3.4
Peugeot S.A.	278	......
Printemp.Aus	203.5	—3
Radiotech	269	......
Redoute	1,275	+15
Roussel-Uclaf	1,655	......
Selimeg	320	—1
SkisRossignol	1,950	—10
Telemech Elect.	2,440	+10
Thomson CSF	498	—6
Valeo	236.5	—1.3

GERMANY

Mar. 7	Price Dm.	+ or —
AEG-Telef	112.7	—0.3
Allianz Vers	1015xr	......
BASF	212.9	+3.0
Bayer	221.5	+5.0
Bayer-Hypo	311.5	—0.5
Bayer-Verein	327.5	—2.3
BHF-Bank	261	—4.5
BMW	388.5	+1.5
Brown Boveri	215.7	+0.2
Commerzbank	163.8	—0.3
Cont'l Gummi	134.8	+2.5
Daimler-Benz	690	+1
Degussa	357.0	+0.5
D'sche Babcock	169.9	—0.1
Deutsche Bank	422	+3
Dresdner Bank	191	+0.2
GHH	156	—0.5
Hochtief	467	—2.5
Hoechst	212.5	+2.5
Hoesch Werke	106.5	......
Holzmann (P)	397	—3
Horten	173	+0.5
Hussel	290.0	......
Karstadt	212	—6.5
Kaufhof	215.2	—1.3
KHD	266xr	—2
Kloeckner	78.5	......
Linde	422	—4.5
Lufthansa	195.5	+0.5
MAN	160	—2
Mannesmann	158.4	—0.5
Mercedes Hld	599.5	+7
Metallgesell	244.5	+1.5
Munech Rueck	1160	—15
Nixdorf	639.5	—0.7
Porsche	1370	+19.5
Preussag	260	......
Rhein West Elect	152.7	—0.8
Rosenthal	248	......
Schering	472.5	—3
Siemens	549.8	—0.5
Thyssen	101.7	+1.5
Varta	183	—0.5
Veba	169.3	+0.3
V.E.W.	121.7	+0.2
Verein-West.	312	—1
Volkswagen	202.3	+1.8

ITALY

Mar. 7	Price Lira	+ or —
Banca Com'le	18,700	+500
Bastogi-IRBS	196	+6
Beni Invest Risp.	3,580	+37
Centrale	3,359	+159
Credito Varesino	4,350	+240
Fiat	2,938	+99
Finsider	56	+2
Generali Assicur.	40,995	+1,485
Italcementi	84,950	+3,048
La Rinascenti	697	+22
Montedison	1,491	+10
Olivetti	6,820	+90
Pirelli Co.	4,425	+40
Pirelli Spa	2,262	+73
Snia BPD	2,943	+113
Toro Assic.	15,220	+600
do. Pref.	11,290	+590

NETHERLANDS

Mar. 7	Price Fls	+ or —
ACF Holding	191.5	—6.5
AEGON	180	—6
Ahold	222.5	—2.5
AKZO	110.5	—1.2
ABN	394	—4
AMEV	213.5	—1
AMRO	75.6	—0.9
Bredero Cert.	151	—1
Bos Kalis Westm.	15.5	—0.3
Buehrmann-Tet.	90.5	—1
Calland Hldgs.	46	—0.6
Dordtsche Pet'm	177.7	—1.8
Elsevier-NDU	114.5	—1.5
Fokker	99	—1.2
Gist Brocades	185.5	—1.5
Heineken	158.1	—1.6
Hoogovens	62	—0.8
Int Mueller	46.8	—1
KLM	59.6	—0.8
Naarden	48	—0.5
Nat Ned Cert	275.5	—1.5
Ned M d Bank	175.2	—1.8
Nedlloyd	176	—0.5
Oce Grinten	310	+2
Ommeren (Van)	28	+0.1
Pakhoed	66.9	—0.7
Philips	62.5	0.11
Robeco	76.7	—0.8
Rodamco	139.5	—0.4
Rolinco	69.8	—1
Rorento	44.1	......
Royal Dutch	202.6	—2.7
Unilever	343.5	—3.5
VMF Stork	142	—1.5
VNU	206.5	+1.8
West Utr Bank	103	—1

NORWAY

Mar. 7	Price Kroner	+ or —
Bergens Bank	169.5	+0.5
Borregaard	370	—1
Christiania Bank	147	—15
DenNorske Cred	166	+1
Elkem	146	+0.5
Kvaerner	176	+1
Norsk Data	416	+7
Norsk Hydro	105	+1
Storebrand	237.4	+1.4

SPAIN

Mar. 7	Price Pta%	+ or —
Bco Bilbao	328	—9
Bco Central	315	......
Bco Exterior	207	......
Bco Hispano	159	—2
Bco Popular	376	—2
Bco Santander	343	+8
Dragados	168	—9
Hidrola	82.2	—2.3
Iberduero	92.2	—2.3
Petroleos	153.5	—6.5
Telefonica	124.2	......

SWEDEN

Mar. 7	Price Kronor	+ or —
AGA	385	......
Alfa-Laval	190	—1
ASEA (Free)	335	......
Astra (Free)	350	......
Atlas Copco	106	—3
Cardo (Free)	350	—6
Cellulosa	121	—3
Electrolux B	316	+1
Ericsson	277	—16
Esselte	385	—5
Mo Och Domsjo	235	—7
Pharmacia	213	—3
Saab Scania Free	420	—20
Sandvik	400	......
Skandia	298	+8
Skan Enskilda	51	......
SKF	201	—5
St Kopparbergs.	141	—2
Sven Handlesbn.	165	—2
Swedish Match	228	+1
Volvo B (Free)	299	—3

SWITZERLAND

Mar. 7	Price Frs.	+ or —
Alusuisse	915	—5
Bank Leu	3,715	......
Brown Boveri	1,735	—40
Ciba Geigy	3,040	—80
do. (Part Certs).	2,410	—5
Credit Suisse	2,420	+10
Elektrowatt	2,710	......
Fischer (Geo.)	765	—8
Hoff-RochePtCts	89,750	+2800
Hoff-Roche 1/10.	8,875	+125
Jacobs Suchard.	6,250	—100
Jelmoli	1,975	—8
Landis & Gyr	1,710	......
Nestle	6,590	—10
Oer-Buehrle	1,480	—20
Pirelli	306	+2
Sandoz (Br)	8,050	—25
Sandoz (PtCts)	1,405	+5
Schindler (PtCts)	795	—25
Sika	1,130	......
Surveillance	4,295	—50
Swissair	1,175	......
Swiss Bank	358	—1
Swiss Reinsce	9,526	—75
Swiss Volksbk.	1,485	—5
Union Bank	3,700	—45
Winterthur	3,655	......
Zurich Ins	20,450	—200

AUSTRALIA

Mar. 7	Price Aust $.	+ or —
ANZ Group	4.48	—0.07
Alliance Oil Dev.	1.05	—0.02
Ampol Pet	1.82	......
Ashton	0.95	—0.02
Aust Cons Ind.	1.93	—0.01
Aust. Guarantee.	2.55	......
Aust. Nat. Inds	2.5	—0.06
Aust. Paper	2.54	......
Bell Group	6.4	+0.04
Bell Res.	60.4	+0.64
Bond Corp Hldgs	1.51	......
Boral	3.32	+0.01
Bougainville	1.92	—0.03
Brambles Inds	3.6	—0.02
Bridge Oil	2.2	......
B.H. Prop	6.62	—0.06
CRA	5.8	—0.02
CSR	2.6	—0.01
Castlemaine Tys.	4.8	......
Coles (G.J.)	3.84	+0.02
Comalco "A"	2.65	......
Consolidated Pet	0.47	+0.01
Costain Aust	1.6	......
Dunlop Aust.	2.26	—0.07
Elders IXL	3.18	—0.01
Energ Res.	1.52	+0.02

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

AUSTRALIA (continued)

Mar. 7	Price Aust. $	+ or —
Gen Prop Trust	2.19	—0.01
Hardie (James)	3.07	—0.03
Hartogen Energy	2.2	—0.02
Herald W'yTimes	4	+0.05
ICI Aust.	1.94	+0.02
Jimberlana F.P.	0.24	—0.02
Kia Ora Gold	0.13	+0.01
Lend Lease	6	—0.08
MIM	2.66	+0.01
Mayne Nickless	3.2	+0.05
Myer Emporium	1.75	—0.03
Nat. Aust. Bank	3.53	—0.02
News	13.35	—0.2
Nicholas Kiwi	2.05	......
North Bkn Hill	2.33	+0.01
Oakbridge	0.74	—0.01
Pancont'l	1.32	—0.02
Pioneer Conc.	1.58	—0.02
Poseidon	3	......
Queensland Coal	1.41	—0.03
Reckitt & Coln	3.55	—0.05
Repco	1.2	—0.03
Santos	5.44	—0.02
Smith (Howard)	4	......
Thos. Natwide	1.88	—0.04
Tooth	5.8	—0.1
Vamgas	3.45	......
Western Mining	3.63	—0.01
Westpac Bank	3.44	—0.01
Woodside Petrol.	0.78	—0.02
Woolworths	3.21	+0.01
Wormald Intl	3.18	......

HONG KONG

Mar. 7	Price H.K.$	+ or —
Bank East Asia	25	......
Cheung Kong	13.7	+0.1
China Light	14	+0.1
Evergo	1.47	+0.02
Hang Seng Bank.	46.75	+0.25
HK Electric	7.45	—0.05
HK Kowloon Wh.	5.55	—0.1
HK Land	5.05	+0.05
HK Shanghai Bk.	8.6	+0.1
HK Telephone	72	+0.15
Hutchison Wpa.	20.3	+0.1
Jardine Math	9.6	—0.05
New World Dev.	6.75	—0.05
Orient O'seas	2.4	—0.02
Oseas Trust Bk.	2.87	+0.17
SHK Props.	9	......
Shell Elect.	1.7	......
Swire Pac A	21.6	+0.4
TV—B	5.9	—0.1
Wheel'k Mard A.	7.5	......
Wheel'k M'time	1.10	......
World Int. Hldgs.	1.95	......

JAPAN

Mar. 7	Price Yen	+ or —
Ajinomoto	1,110	—10
Alps Electric	2,330	+80
Amada	1,200	—30
Asahi Chem	820	—3
Asahi Glass	881	—9
Bridgestone	520	+1
Canon	1,470	—20
Casio Comp	1,970	—20
Chugai Pharm.	1,090	—30
Citizen	561	—4
Daiei	635	—5
Dai Nippon Ptg.	1,050	—20
Daiwa House	545	—5
Ebara	372	—4
Eisai	2,150	—100
Fanuc	15,050	—40
Fuji Bank	1,620	......
Fuji Film	1,870	—40
Fujisawa	1,110	—30
Fujitsu	1,350	—10
Green Cross	2,980	+30
Hasegawa	374	+9
Heiwa Real Est	595	—3
Hitachi	866	—8
Hitachi Credit	1,070	......
Honda	1,460	—50
House Food	720	......
Hoya	2,270	—30
Itoh (C)	336	—4
Ito. Yokado	2,440	—10
Iwatsu	1,060	—20
JACCS	525	—1
JAL	5,150	......
Jusco	700	......
Kajima	280	+2
Kao Soap	842	+2
Kashiyama	595	—5
Kirin	575	—7
Kokuyo	870	—25
Komatsu	450	......
Konishiroku	680	—5
Kubota	320	......
Kumagai	650	—5
Kyoto Ceramic	6,300	+20
Maeda Const	490	......
Makino Milling	1,300	—40
Makita	1,150	+40
Marubeni	307	......
Marudai	560	......
Marui	981	—6
MEI	1,640	—40
M'ta Elec Works.	740	+35
M'bishi Bank	1,580	—40
M'bishi	520	—5
M'bishi Elec	385	—3
M'bishi Estate	569	......

JAPAN (continued)

Mar. 7	Price Yen	+ or —
MHI	255	+4
Mitsui Co	345	+9
Mitsui Estate	650	—10
Mitsukoshi	440	—2
NGK Insulators	998	—32
Nihon Cement	228	+9
Nippon Denso	1,440	—20
Nippon Elect	1,170	—10
Nippon Express	340	—1
Nippon Gakki	2,130	—60
Nippon Kokan	136	+1
Nippon Oil	827	+12
Nippon Seiko	655	—9
Nippon Shimpan	520	—10
Nippon Steel	152	+2
Nippon Suisan	325	—6
NTV	11,000	—120
Nippon Yusen	245	+1
Nissan Motor	611	—1
Nisshin Flour	470	—5
Nisshin Steel	175	+5
Nomura	1,180	......
Olympus	1,320	—30
Orient Leasing	5,220	+120
Pioneer	2,940	—30
Renown	622	—3
Ricoh	912	—13
Sankyo	1,300	—60
Sanyo Elect	473	—7
Sapporo	405	......
Sekisui Prefab	655	+5
Seven-Eleven	8,800	—60
Sharp	1,070	......
Shimadzu	853	+1
Shionogi	749	—2
Shiseido	1,050	—20
Sony	4,660	—170
Stanley	991	—9
S'tomo Bank	1,800	—20
S'tomo Elect	923	—1
S'tomo Marine	625	......
S'tomo Metal	150	+2
Taihei Dengyo	462	—28
Taisei Corp	203	......
Taisho Pharm	1,150	+50
Takeda	868	—3
TDK	5,240	—190
Teijin	439	—1
Teikoku	644	+9
Tokyo Marine	820	—5
TBS	770	—15
Tokyo Elect Pwr	1,650	+10
Tokyo Gas	161	—2
Tokyo Sanyo	744	+7
Tokyo Style	703	—12
Tokyu Corp	319	—1
Toppan Print	880	+5
Toray	450	—6
Toshiba Elect	416	—2
TOTO	656	+9
Toyo Seikan	841	—14
Toyota Motor	1,360	+20
Victor	2,330	—50
Wacoal	705	—5
Yamaha	800	—1
Yamanouchi	3,970	—90
Yamazaki	685	—5
Yasuda Fire	415	—8
Yokogawa Bdge.	425	+2

SINGAPORE

Mar. 7	Price $	+ or —
Boustead Hldgs.	1.76	—0.01
Cold Storage	2.7	......
DBS	6.20	—0.10
Genting	6.0	......
Haw Par. Bros.	2.52	+0.07
Hong Leong Fin.	3.24	......
Inchcape Bhd.	2.68	—0.06
Keppel Shipyard	1.83	—0.02
Malay Banking	6.35	+0.05
Malay Utd. Ind.	2.51	+0.05
Multi Purpose	0.96	—0.05
OCBC	9.6	......
OUB	4.0	—0.02
Public Bank	1.69	—0.01
Sime Darby	2.05	—0.02
Singapore Press.	6.35	......
Straits Trdg.	4.68	+0.08
Tat Lee Bk.	2.86	......
UOB	4.62	—0.04

SOUTH AFRICA

Mar. 7	Price Rand	+ or —
Abercom	1.95	......
AE&CI.	6.55	......
Allied Tech	48	......
Anglo Am Coal	48.5	—1.25
Anglo Am Corp	28.75	+0.4
Anglo Am Gold	160.5	+0.5
Barclays Bank	14.15	......
Barlow Rand	9.65	......
Buffels	62.0	+0.5
CNA Gallo	2.25	......
Currie Finance	3.5	......
De Beers	9.12	+0.07
Driefontein	48.25	+0.25
FS Geduld	42	+2
Gold Fields SA	49.5	+2
Highveld Steel	3.75	......
Nedbank	9.0	+0.1
OK Bazaars	12.75	......
Protea Hldgs	1.2	......
Rembrandt	31.25	......
Rust Plat	15.15	—0.45
Safren	12.3	......
Sage Hldgs	6.5	—0.1
SA Brews	5.95	......
Smith (CG)	19.50	......
Tongaat Hulett	6.65	—0.1
Unisec	4.6	......

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Anchor Chem.	255	+13
BSR Intl.	150	+5
Book. McConn.	251	+6
BP	553	+5
British Tar	89	+6
Christies Intl.	628	+10
Comm. Union	189	+10
Dee Corp.	196	+8
Exco Intl.	875	+20
Goal Petr.	114	+12
G. Dur. Murray	83	+15
Highland Dist.	70	+7
Highland Elect.	118	+10
Highland Part.	217	+30
Hse. of Fraser	410	+10
Legal & Gen.	642	+17
Phoenix Timber	136	+10
Runciman (W.)	100	+6
Sedgwick	378	+16
Willis Faber	660	+19

FALLS

Barclays	583	—7
Barrat Devels.	78	—4
Blue Circle	515	—13
Brit. Aero	375	—8
Cadbury Schw.	168	—4
Davies & Met. A	55	—7
NatWest Bnk	625	—15
Pentland Inds.	460	—10
Rug. Port. Cem.	129	—6
Sound Diffusion	97	—9

Continued on Page 35

CANADA

TORONTO
Closing prices March 7

Sales	Stock	High	Low	Close	Chng
[illegible]					

Total sales 9,504,967 shares

MONTREAL
Closing prices March 7

Sales	Stock	High	Low	Close	Chng
[illegible]					

Total Sales 2,364,935 shares

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

MARKET REPORT

Barclays' cash call draws attention to increasing demand on market funds

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Barclays' call for £507m tended to choke investment enthusiasm for London stocks yesterday. The bank's announcement of an offering of new shares, via a rights issue, was not altogether surprising for the market had recently scented such a possibility. Neither did the size of the issue, exceeded only by British Petroleum's call back in 1981, raise any eyebrows because the proposed terms were considered very favourable. But the news vividly emphasised the increasing demands being made on market funds from the UK manufacturing and financial sectors.

Any disappointment over Barclay's annual profits, slightly below average projections, was countered by excellent figures from oil giant British Petroleum which reported 1984 earnings of over £1.4bn. The latter's results extended the recent flow of encouraging trading statements but institutional operators would not be drawn ahead of the Budget, due on Tuesday-week. Private investors were active but they chose to concentrate on situation issues and stocks about to, or actually reporting, news items.

Illustrating the subdued overall scene, the eagerly-awaited Monopolies Commission report on Lonrho and House of Fraser aroused only a flicker of interest. Currently in receipt of a 400p per share cash offer from Alfayed Investment and Trust, House of Fraser improved to 410p. Investors otherwise showed little desire to take positions out for the trading Account beginning on Monday and the FT Ordinary share index, which began three points lower on the back of Wall Street overnight, closed 2.8 down on the session at 987.6.

Sterling had less influence on the trend than earlier in the week. Its overnight recovery against the dollar brought a small rally in Government securities which held at the higher levels despite subsequent easiness in the rate. Thoughts that the Federal Reserve Board chairman's recent testimony to Congress could exert upward pressure on U.S. Prime rates may have dampened interest in the Gilt-edged sector.

CU advance

Commercial Union's £72.8m annual loss had been well discounted and relief that the dividend had been maintained pushed the shares up 10 to 189p; the rise was accompanied by revived suggestions that the group was now more vulnerable to an overseas bid. Other Composites moved up in sympathy, while Life Insurances reflected receding fears that the Chancellor would tax pensions in the Budget. Legal and General gained 17 to 642p and Sun Life 16 to 768p, while Prudential moved up 12 to 563p. Equity and Law, additionally aided by takeover chatter, rose 5 to 248p, after 251p. Supported recently on consideration of their substantial dollar earnings potential, Lloyd's Brokers climbed again as buyers found stock in short supply. Willis Faber, annual figures scheduled for March 20, closed 19 higher at 660p, while Sedgwick advanced 17 to 379p and Stewart Wrightson 16 to 590p.

Barclays reacted from an initial firm level of 600p to finish a net 7 lower on balance at 583p following the results and fund-raising details. NatWest lost 15 to 625p in sympathy and Lloyds, which brings an eventful dividend season to a close today, cheapened 7 to 528p. Elsewhere, Goode Durrant and Murray jumped 15 to 83p on hopes of early moves in the bid discussions currently taking place with an unnamed concern.

Re-mould tyre and battery manufacturer BTS Group yesterday started trading in the Unlisted Securities Market at a discount. The shares opened at 79p and slipped to 72p before closing at 74p compared with the placing price of 82p.

Highland Distilleries advanced 7 to 70p following news of a marketing agreement with Heublein of Connecticut aimed at increasing the U.S. penetration of Highland's premium "Famous Grouse" blend.

Interest in cement producers waned following confirmation of the 4½ per cent cement price increase; profit-taking left Blue Circle 13 lower at 515p and Rugby Portland Cement 6 down at 129p. Elsewhere in the Building sector, Redland continued to attract buyers and firmed 4 more to 277p, while BPB Industries, a subdued counter in recent days, improved a couple of pence to 237p. Contracting and Construction issues made a lack-lustre showing. Revived worries about the forthcoming interim results, due on March 19, clipped 4 from Barratt Developments at 70p. Mild disappointment with the annual results left USM-quoted Federated Housing 3 cheaper at 47p. Among Timbers, Phoenix were marked 10 higher to 136p on the announcement of a concert party agreement between Equity and Share Company (London) and Solarosa SA which together speak for 11.35 per cent of the equity.

ICI fluctuated narrowly in a relatively small two-way business before drifting off to close 6 cheaper on balance at 838p. Anchor Chemical gained 13 to 255p in response to a newsletter recommendation, while speculative buying lifted British Tar Products 6 to 89p. Elsewhere, Novo Industries "B" fell 2¾ to £24½ following the annual figures.

Fraser rise afresh

House of Fraser touched 410p before settling 8 dearer on balance at 408p, while Lonrho closed 2 cheaper at 161p. With the exception of Woolworth, 13 higher in a restricted market at 595p, leading Stores closed a shade easier on balance. W. H. Smith "A" responded to a Press suggestion of bid possibilities and advanced to 202p before setling only a net 2 dearer at 196p. Profit-taking clipped 6 from Foster Brothers Clothing which at 198p, closed only 6 absove the share-exchange offer from Ward White, unchanged at 231p.

Highland emerged as a firm feature in Electricals, rising 10 to 118p, after 120p, in response to an investment recommendation. BSR firmed 5 to 150p, after 152p, following the slightly better-than-expected annual profits, while Instem closed the same amount dearer at 265p after news of the resumption of dividend payments and profits recovery. Still drawing strength from the telecommunication deal with the Chinese Government, Cable and Wireless put on 5 more making a rise of 30 on the week so far at 520p. Telemetrix rose 20 to 370p, but Sound Diffusion came on offer at 97p, down 9, and the recently-favoured Pressac dropped 6 to 125p on profit-taking. The leaders rarely strayed from overnight levels.

Apart from fresh activity in GKN, which settled without alteration at 216p, interest in the Engineering leaders was at a low ebb. Elsewhere, Davies and Metcalfe ran back to 48p before settled 7 off on balance at 55p following disappointing preliminary figures. Fife Indemar, in contrast, responded to the annual results and proposed one-for-one scrip issue with a rise of 5 to 130p, while revived bid speculation left Birmid-Qualcast 3½ dearer at 90p. RHP put on 5 to 96p and Jones and Shipman 3½ to 71p.

Cadbury Schweppes' annual results failed to generate much excitement and the price drifted off to close 4 cheaper at 166p; the group intends to raise $80m through the issue of 15-year convertible bonds. Among other Foods, press comment highlighting recent management changes coupled with revived bid speculation lifted Unigate 7 to 155p. United Biscuits, another of the sector's current bid favourites, firmed 4 to 200p ahead of next Wednesday's annual results. Ranks Hovis McDougall, up 2 more at 138p, continued to reflect a broker's upgraded profits estimate, while "new time" enquiry ahead of the interim results due next Wednesday left Bejam 2 dearer at 148p.

Booker improve

Grand Metropolitan, a dull counter since the chairman's profits warning, rallied 7 to 285p, after 288p, on rumours that it may sell its Express Dairies subsidiary to Northern Foods; the latter continued to trade firmly and rose 4 to 236p. Norfolk Capital gained 3 to 27p on bid hopes, while Ladbroke, dull on Tuesday following adverse press comment, picked up 5 to 252p.

Leading miscellaneous industrials moved within extremely narrow limits before settling a shade easier on balance. BTR ran into profit-taking after Wednesday's good rise on the preliminary statement, and gave up 7 to 657p. Interest revived in Booker McConnell, up 6 at 251p ahead of the formal offer document expected soon from Dee Corporation; the latter gained 8 to 196p. Christies International rose 10 more to 628p following a press suggestion of a possible American bid, while renewed support lifted F. H. Tomkins 5 further to 184p. Marshalls Universal closed a couple of pence dearer at 76p, after 78p following news of the proposed sale of its East African interests. Beatson Clark improved 6 to 168p in front of the preliminary figures, due on March 22. Profit-taking clipped 10 from Pentland at 460p and 4 from Metal Closures at 166p, while British Aerospace came back 8 to 375p. Brammer ran into fresh selling and gave up 6 to 296p, but Bruntons (Musselburgh) came to life with a rise of 5 to 75p and Bestobell improved a like amount to 261p. Pauls held at 260p after further rejection of the offer from Harrisons and Crosfield.

Investors continued to display a selective enthusiasm for Motors. Group Lotus, aided by "call" option business, hardened a few pence more to 110p, while further demand in a narrow market lifted AC Cars 6 to 61p. Jaguar encountered early profit-taking and slipped to 348p, but staged a useful rally later to finish only 2 cheaper on balance at 355p. Among Distributors, Lex Service dipped to a new 1984-85 low of 194p still reeflcting the disappointing full-year statement, but recovered after-hours to end a net 3 to the good at 202p. Adams and Gibbon again responded to speculative inquiry and closed 8 up at 236p.

News International advanced 20 to 625p in belated response to the interim figures.

Leading Properties fluctuated narrowly before drifting lower in the late dealings. Land Securities settled a couple of pence cheaper at 300p and MEPC finished 3 off at 304p. Hammerson A slipped 5 to 495p, while Stock Conversion, in which a sideable stake changed hands on Monday, came back a couple of pence to 453p. Against the trend, Rosehaugh moved up 10 to 790p and C. H. Beazer improved 4 to 376p. Elsewhere, estate agents Connells, a firm counter recently reflecting publicity given to the forthcoming Mann and Company offer for sale, encountered profit-taking and shed 5 to 100p.

Movements in Shippings continued to favour holders. Walter Runciman advanced 6 more to 100p, while speculative support was evident for Hunting Gibson, 5 better at 96p.

Financials highlighted Exco International which advanced 20 more to 675p; the preliminary results are scheduled for March 25. Barlow Holdings attained a new peak of 123p before closing a net 9 up at 118p following the full-year figures and proposed merger with Majedie, 13 higher at 143p.

Results boost BP

Trading at 546p immediately ahead of the preliminary results BP subsequently raced up to 561p on the better-than-expected dividend increase and news that net income had comfortably exceeded £1.4bn; towards the close, however, profit-taking saw the shares ease back to close a net 5 up at 553p. Other leading Oils were overshadowed by BP and tended to give ground. Shell slipped back 12 to 783p and Britoil eased a couple of pence to 208½. Ultramar, reporting annual results next Wednesday, lost 7 at 203.

Lasmo eased to 346p but rallied to settle unaltered on balance at 350p following the encouraging drilling results from the latest apraisal well in the Tiffany oilfield in the North Sea.

Secondary oils provided numerous firm features. Take-over speculation gave a major boost to Goal Petroleum, 12 firmer at 114p while news of the proposed issue of 1.25m ordinary shares at 150p via a private placement, to raise £1.875m, prompted sustained suport for Highland Participants which jumped 30 to a year's best of 217p Caledonian Offshore gained 25 more to 370p but E.R.I.C. dipped on profit-taking and lost 5 to 230p following the annual results.

Golds rally

South African gold and related sectors of minings markets were given a much-needed boost by the sharp rally in both bullion and gold shares in overnight U.S. markets following the downturn in the dollar.

Bullion rose to $291.40 in New York and although it opened a shade below $290 in London dealers in Golds were sufficiently encouraged by the strong gains in New York to open share prices sharply higher. Thereafter, prices held relatively steady in good two-way trading before easing off towards the official close. The Gold Mines index posted a 13.2 rise at 481.0.

Total contracts struck in Traded Options amounted to 7,606—a slight improvement on recent volume. BP were lively with 1,492 calls struck, 781 in the April 500's, 3 dearer at 55p. British Telecom were also wanted and attracted 971 calls, the May 120's and 130's accounting for 257 and 341 calls respectively. Commercial Union recorded 738 calls and 288 puts following the preliminary figures, business developed in Jaguar with 630 calls and 214 puts done.

FINANCIAL TIMES STOCK INDICES

	Mar. 7	Mar. 6	Mar. 5	Mar. 4	Mar. 1	Feb. 28	year ago
Government Secs.	80.09	80.02	80.15	80.19	80.17	80.56	83.18
Fixed Interest	83.59	83.49	83.53	83.56	83.69	83.75	87.12
Ordinary	987.6	990.4	982.0	979.9	975.0	979.9	837.7
Gold Mines	481.0	467.8	476.2	477.8	476.5	466.5	696.9
Ord. Div. Yield	4.53	4.48	4.49	4.50	4.52	4.45	4.40
Earnings, Yld.% (full)	11.18	11.00	11.27	11.30	11.36	11.12	9.44
P/E Ratio (net) (*)	10.91	11.10	10.82	10.89	10.84	10.80	12.80
Total bargains (Est.)	25,320	24,568	25,006	24,592	25,534	25,013	23,502
Equity turnover £m.	—	453.03	385.54	454.05	372.23	360.25	278.31
Equity bargains	—	21,971	21,975	24,052	19,696	19,510	20,512
Shares traded (ml)	—	193.1	181.5	211.3	175.0	185.1	170.1

10 am 987.4. 11 am 987.4. Noon 987.9. 1 pm 988.5. 2 pm 988.5. 3 pm 988.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.56.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (25/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (3/3/84)	439.6 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. Activity	Mar. 6	Mar. 5
Daily Gilt Edged Bargains	138.5	149.1
Equities Bargains	142.4	142.3
Equities Value	875.5	779.5
5-day Average Gilt Edged Bargains	154.2	159.7
Equities Bargains	138.9	137.5
Equities Value	810.6	819.0

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (107)

BRITISH FUNDS (2)
COMMONWEALTH & AFRICAN LOANS (1)
AMERICANS (3)
CANADIANS (3)
BANKS (3)
BREWERS (2)
CHEMICALS (4)
ELECTRICALS (2)
ENGINEERING (14)
FOODS (3)
INDUSTRIALS (15)
INSURANCE (6)
MOTORS (2)
NEWSPAPERS (2)
PAPER (3)
PROPERTY (3)
SHIPPING (2)
SHOES (1)
TEXTILES (1)
TRUSTS (28)
OILS (5)
MINES (2)

NEW LOWS (11)

BUILDINGS (1)
Tay Homes
STORES (2)
Ramar Textiles Wigfall (H.)
ELECTRICALS (1)
Sound Diffusion
ENGINEERING (1)
Belgrave Hldgs.
INDUSTRIALS (1)
Dominion Intl.
MOTORS (1)
Lex Service
TRUSTS (1)
Centreway Trust
OILS (1)
Strata Oil
MINES (2)
Gem Expln & Mins Centennial Mins.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	5	15
Corpns., Dom. and Foreign Bonds	24	7	42
Industrials	242	290	909
Financial & Props.	93	88	366
Oils	35	33	55
Plantations	1	2	14
Mines	69	23	86
Others	42	121	55
Totals	591	589	1,542

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or
[illegible]							

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully paid. ‖ Introduction. ✽ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8

For rate indications see end of Share Information Service

Money was given for the call of Falcon Resources, Combined Technologies, Grand Central, Barratt Developments, C. H. Bailey, Norfolk Capital, W. H. Smith A, Charterhall, Eglinton Oil and Gas, Group Lotus, Ultramar, Armstrong Equipment, Marley, Rockware and Harold Ingram. A put was done in Sound Diffusion, while doubles were taken out in Falcon Resources and Sound Diffusion.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BSR International	150	+ 5
Barclays	583	− 7
Britannic Assce.	668	+ 7
BP	553	+ 5
British Telecom	128	—
Commercial Union	189	+10
Equity and Law	248	+ 5
Falcon Resources	415	+ 5
Jaguar	355	− 2
Legal and General	642	+17
Novo Inds B	£24½	− 2¾
Prudential	563	+12

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Midland Bank	27	345	−15
Lex Service	26	199	−26
Acorn Cmptert	22	17pm	—
BTR	21	664	+21
Beecham	20	365	+14
Dunlop	20	51	+ 6
Christies Int'l.	16	618	+22
Jaguar	16	357	+10
Bowater Inds	15	262	+17
Tomkins (F.H.)	15	179	+15
British Telecom	14	128	+ 4
Ladbroke	14	247	−10
ICI	13	844	− 4
Reed Int'l	13	562	+16

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur March 7 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Wed March 6 Index No.	Tues March 5 Index No.	Mon March 4 Index No.	Fri March 1 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Thur March 7	Day's change %	Wed March 6	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Thur March 7	Wed March 6	Year ago (approx.)
[illegible]			

BRITISH GOVERNMENT INDEX-LINKED STOCKS

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS: 23,183

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*555)	420	135	—	—	2	—	—
	460	95	100	105	2	9	14
	500	55	63	70	10	18	27
	550	19	38	48	40	43	60
	600	7	22	32	80	85	92
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*184)	160	32	37	—	2	3	—
	180	16	20	24	7	10	11
	200	10½	14	18	16½	25	47
	220	5	9	13	37	43	45
LASMO (*356)	300	57	63	—	4	7	—
	330	35	43	50	13	18	25
	360	25	32	37	30	35	40
	390	12	20	25	53	60	65
[illegible]							

Mar. 7. Total contracts 7,606 Calls 5,856. Puts 1,750
* Underlying security price.

THE PROPERTY MARKET BY MICHAEL CASSELL

Hongkong Land climbs back from the edge of catastrophe

"WE'VE STOPPED Hongkong Land going bust. The heat is off. But we still have another two or three years hard work to get it back into proper shape."

David Davies, the 44-year-old chief executive officer of Hong Kong's biggest and proudest property company, neatly sums up the state of play 18 months after he walked slap into the middle of the greatest crisis in Hongkong Land's 96-year history.

So confident is Davies about the eventual outcome of his subsequent efforts that he could talk this week about the possibility of reviving a major office development project on Hong Kong island, postponed during the group's darkest hours.

The Harcourt House site adjoins the newly developed China Fleet Club building in Wanchai and could provide around 350,000 sq ft of office space. No final decision has been taken but a start on work would provide further important evidence that both the Land company and the local real estate market have turned the corner.

After Davies announced he was leaving the Park Lane headquarters of MEPC, one of Britain's largest property groups, there were those who claimed that the speed at which calamity overtook Land had left him horribly wrong-footed; that the corporate chaos he inherited in October 1983 had precious little in common with the company he had agreed, a few months earlier, to join.

Davies, so the theory went, had burned all his boats, except the one heading for Hong Kong Harbour. The overtly ambitious Wykehamist, whose impressive track record in banking and property and high-flying private life had made him a gossip column favourite, was about to come unstuck.

Davies himself did not see it quite like that, though the man who had earlier helped pull MEPC itself out of the fire was under no illusion about the scale of the crisis facing him at Land. The group's massive expansion programme, including stakes in Hong Kong Telephone and Hong Kong Electric and the hugely ambitious Exchange Square office project, was being financed entirely by debt.

Collapsing

Borrowings of HK$2bn at the end of 1980 had risen to HK$12bn two years later and were heading for a frightening HK$22bn (£265m) by the end of this year. At the same time, the plight of the Hong Kong property market meant Land's assets were collapsing in value. In 1983, the group reported a loss of HK$1.4bn.

An increasingly alarmed Simon Keswick, then chairman-designate of both Hongkong Land and Jardine Matheson, called in Davies to replace Trevor Bedford and to clear up a crisis made worse by the political turmoil surrounding the future of the territory.

Davies wasted little time. Having first arranged HK$2.5bn of standby credit, he stepped up an asset disposal programme which had started before his arrival with the sale of a stake in Hong Kong Telephone. Over HK$6bn has now been raised and the sales are not yet over.

The most significant step in getting the balance sheet back into shape came with the sale, six weeks ago, of its shareholding in Hong Kong Electric to Hutchison Whampoa. The deal reduced debt by HK$3bn—20 per cent of the group total—improved the debt equity ratio from 1.2-1 to 0.8-1 and enabled Davies to say that debts had peaked at HK$14.7bn rather than the HK$16bn which he had previously predicted for some uncertain future date.

Land's chief executive who, in little over a year, has seen his shares ride a switchback between a low of HK$2 and the current high of HK$5, will next week be unveiling full-year figures for 1984. Having moved back into the black in the first-half, further modest progress is expected to have been made. For some time to come, however, the group's prospects will remain heavily dependent on local interest rates. There will be no return to dividends just yet but the outlook on that front looks more encouraging.

Davies makes great play of the importance of the Hong Kong Electric deal: "The sale has helped enormously. We have always managed to maintain a positive cash flow at operational level but the big problem has been on the capital account. The Electric deal has given us a break-even situation, so the next move is to get back into surplus and then to resume dividends."

Neither can Land any longer be regarded as a forced seller of assets. Its decision to withdraw from the market the 950-bedroom Excelsior Hotel in Hong Kong, for which there were no takers at the asking price, does not mean that it will stay for ever in the Land camp but it shows clearly that some of the pressure is off.

In the wake of the Electric sale and faced with mounting evidence that the local property market is reviving rapidly, Land has also decided to go ahead with the third tower of the the Exchange Square development in Hong Kong's central business district.

With an all-up cost of HK$750m, the decision was not taken lightly but Land was facing an expensive deadline. When in 1982 it paid the government HK$4.75bn for the entire Exchange Square site the group undertook to go ahead with the project within a set timescale. Failure to do so would have seen it in breach of the agreed covenant and also, according to Davies, "left us the best part of HK$1bn down the pan."

Rebirth

Land's rebirth looks well-timed. With political uncertainty largely dispelled folowing the Peking agreement, the fresh climate is helping to fuel an upturn in a property market which had reached rock-bottom.

Colin Munday and Barry Yates, the property men at brokers Hoare Govett, share growing confidence about prospects. According to Munday: "The market is incomparably more stable and better balanced than a year ago. The gains made in 1984 should be consolidated this year, although we do not expect runaway rent and price increases."

Munday reckons that both property prices, now 50 per cent below the record levels of 1981, and office rents, back to the levels of mid-1980, have bottomed out. With yields well in excess of 10 per cent, developers and investors will now, he believes, be tempted back into the market. The expectation is that the high levels of demand which returned last year will continue throughout 1985, reducing the stock of available space to no more than one year's take-up at current rates.

Even so, Land's decision to go ahead with next 322,000 sq ft third phase of Exchange Square looks a bold one, given the lack of success so far in finding tenants for the 1.2m sq ft now nearing completion. Asking rents, at HK$20-25 a sq ft, are around half the levels expected when the development sums were first done.

Davies admits: "The reason we've said nothing about lettings is because we've got nothing to say. People are still cautious and are clearly waiting to see the finished product before making any decisions. But previous experience gives me confidence. When our Hong Kong Club development was completed last June we still had no takers. Now it is about 80 per cent let.'

Land's chief executive says there is no question that the local market has finally turned: "Two years ago, Kowloon had 2m sq ft of empty space. Now I doubt if there is 100,000 sq ft of prime office space available in a market of 5.5m sq ft. In Wanchai and Causeway Bay, available space will be taken up by the end of this year and in both markets there will be nothing new available for at least two and a half years."

As for Central district, at the heart of Land's property empire, the 1m sq ft Hongkong Bank building is to be occupied exclusively by the owner, although the move will leave around 300,000 sq ft of mainly secondary space behind it. Apart from Exchange Square, the Shun Tak Centre, being developed in a fringe location close the Macao fery, is the only other major project on the way..

Options

Meanwhile Davies claims that the fine print of the Sino-British agreement clears away a great deal of confusion surrounding land entitlement. Any lease which expires between now and 1997 will be automatically renewed for 50 years but, in an important concession, any lease ending beyond 1997 will continue to be recognised and protected.

Davies is quick to point out that around two-thirds of Land's total portfolio is held either on 999-years leases or on 75-year terms with 75-year renewable options.

He is also equally anxious to emphasise that Land is much more than a property company and preferes to emphasise that while the overwhelming majority of capital employed by the group is devoted to real estate, the sector provides only 60 per cent of its operating income. Around 30 per cent of income is now derived from the Dairy Farm operations, with the balance coming from hotels. Three separate operating divisions have been established to drive home the point.

The group sems particularly excited about the opportunities for expanding its hotel business under the Mandarin Oriental banner. The owners of the world-famous Hong Kong Mandarin have just signed a management agreement with Norland Properties of the U.S. to manage a luxury hotel on the top of the California Center in San Francisco. Other openings are planned for Singapore and Kuala Lumpur and further moves in the United States seem certain.

Much closer to home, however, is the prospect of property development on the other side of the Chinese border. With the very first purpose-built office buildings to be developed since the revolution about to be completed in Peking and Shanghai, there is clearly a very long way to go before the market can support an influx of foreign developers.

Though the possibility of sky-high rents might be a tantalising one, the logistical problems of developing in China—even supposing the doors are opened —will certainly make developers think twice.

As for Hongkong Land, any development sortie into mainland China seems some way down the line. For the time being, the group seems happy to confine its Chinese trade to the provision of farm products and in-flight catering.

Ice cream, it seems, is a big winner north of the border and with 1bn potential customers, Hongkong Land is not the only one licking its lips at the prospects for bigger sales.

- **Spicer & Pegler, the accountants, are to pay a rent of £1.6m a year for Friary Court, the City of London office development now being completed by Commercial Union Properties. The property, at Crutched Friars, contains 68,000 sq ft of office accommodation, together with some residential and restaurant space. Jones Lang Wooton acted for CUP and Chestersons advised Spicer Pegler.**

- **Central and City Properties and the Mactaggart Third Fund have won outline planning consent for a 26,000 sq ft office development at the junction of Fenchurch Street and Leadenhall Street. Joint letting agents are Robert Cutts and Debenham Tewson & Chinnocks.**

IBA Investments

International Property

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN RYOBI LIMITED

EDR Holders are informed that Ryobi Limited has paid a dividend to holders of record 30th November, 1984 of Yen 3.75 per Yen 50 Share of Common Stock and the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR Holders may now present Coupon No. 8 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid Affidavit of Residence in a country having a Tax Treaty or Agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

Arab Republic of Egypt	France	Romania
Australia	Hungary	Singapore
Belgium	Indonesia	Spain
Brazil	Ireland	Sweden
Canada	Italy	Switzerland
Czechoslovakia	Malaysia	United Kingdom
Denmark	The Netherlands	United States of America
Federal Republic of Germany	New Zealand	Zambia
Finland	Norway	
	Poland	
	Republic of Korea	

Failing receipt of a valid Affidavit, Japanese withholding Tax will be deducted at the rate of 20% on the Gross Dividend payable. The full rate 20% will also be applied to any dividends unclaimed after 30th June, 1985.

Amounts payable per EDR of 10,000 Shares against Coupon No. 8

Gross Dividend	Dividend Less 15% Withholding Tax	Dividend Less 20% Withholding Tax
U.S.$143.51	U.S.$121.99	U.S.$114.81

Depositary
The Bank of Tokyo Trust Company
London
8th March, 1985

Agent
The Bank of Tokyo (Luxembourg) S.A.
Luxembourg

HARMONY GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
A Member of the Barlow Rand Group

DIVIDEND DECLARATION

NOTICE IS HEREBY GIVEN that dividend No. 57 of 135 cents per share has been declared in South African currency, as a final dividend in respect of the year ending 30 June, 1985, payable to members registered in the books of the company at the close of business on 22 March, 1985. The register of members will be closed from 23 to 31 March, 1985, inclusive, and dividend warrants will be posted on or about 2 May, 1985.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom Registrars, Transfer and Paying Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 23 March, 1985 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the company in Johannesburg or in the United Kingdom.

By order of the Board
RAND MINES (MINING AND SERVICES) LIMITED
Secretaries
per: A. R. HOLT

Registered Office:
15th Floor, 63 Fox Street,
Johannesburg 2001
(P.O. Box 62370, Marshalltown, 2107)
Secretaries in the United Kingdom:
Charter Consolidated P.L.C.,
40 Holborn Viaduct,
London, EC1P 1AJ.
United Kingdom Registrars,
Transfer and Paying Agents:
Hill Samuel Registrars Limited,
London, SW1P 1PL.
London, SW1P 1PL. 7 March 1985

Ireland
£100,000,000 Floating Rate Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 6th March, 1985 to 6th June, 1985 has been fixed at 14¼ per cent per annum.
Coupon No. 2 will therefore be payable at £1,795.89 per coupon from 6th June, 1985.
Samuel Montagu & Co. Limited
Agent Bank

PACIFIC BASIN FUND
10A, Boulevard Royal, Luxembourg
DIVIDEND NOTICE

Pursuant to a resolution of the Board of Directors of Pacific Basin Management Company S.A., a dividend of US$0.17 per share will be paid on 6th March 1985, on all shares in issue and outstanding at 27th February 1985.

Coupons No. 6 of bearer share certificates have to be presented to the paying agent, Banque Paribas (Luxembourg) S.A., 10A, Boulevard Royal, Luxembourg.

Dividend cheques will be sent to registered shareholders.

PACIFIC BASIN MANAGEMENT COMPANY S.A.
Luxembourg.
22nd February 1985.

Investments For Sale

Offices To Let

Offices

To Let

Legal Notices

IN THE MATTER OF VIDEO INCLUSIVE LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of March, 1985, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
PATRICK WALTER JOHN HARTIGAN
of 1 Wardrobe Place,
Carter Lane, London EC4V 5AJ
the Joint Liquidators of the said Company, and, if so required by notice in writing from the said Liquidators, are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 15th day of February 1985.
GEOFFREY POLLARD
PATRICK WALTER JOHN HARTIGAN
Joint Liquidators

Art Galleries

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 32

Stock		Sales (Hnds)	High	Low	Last	Chng
Micrpro		706	2⅞	2⅝	2⅞	+¼
MicrSm		89	6	5⅞	6	
MidPcA		150	6	5⅞	5⅞	−⅛
MidStFd	.40	85	20	19½	20	+½
MidBk s	1.12	93	30⅞	30¾	30¾	−⅛
MdwAir		487	5⅛	4⅞	5	+⅛
MiltTch		1410	1¼	½	¾	−¼
MillHr	.60	2303	34½	33⅛	33⅝	−1⅜
Millicm		6	3½	3	3½	
Milipr	.44	165	39⅞	39½	39¾	+⅛
Minscr		679	4¼	4⅛	4¼	−⅛
Minstr s		2541	23	22⅝	22⅞	+⅜
Mischer		41	14	13¾	13¾	
MGask	.01e	87	15	14⅝	14⅞	+⅛

Stock		Sales (Hnds)	High	Low	Last	Chng
Penbcp	2	30	48¾	47	48¾	+2
PenaEn	2.20	78	28½	28	28½	+⅛
Pentar	.84	92	29¾	29½	29⅝	
Peowst		40	11¼	11	11	
PeopEx		1741	8½	8	8¼	−⅛
PeopB s	.52	21	17	16	16	−½
PeopRt		278	½	⅜	⅜	−⅛
Percept		239	7⅝	7¼	7½	+¼
PerpA		1262	13⅛	12¾	13	
PersCpt		19	12¼	12	12⅛	
Petrite	1.12	38	29¼	28¾	28¾	−¼
Phrmct		1261	12½	10¾	11½	−1
Phrmkt		21	10	9⅞	9⅞	−⅛
Phrm wt		8	8½	8½	8½	

Indices

NEW YORK-DOW JONES

	March 7	March 6	March 5	March 4	March 1	Feb 28	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	1,271.53*	1,280.37	1,291.85	1,289.53	1,299.36	1,284.01	1299.36 (1/3/85)	1088.57 (24/7)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	618.68	622.23	628.43	630.20	635.39	630.98	635.39 (1/3/85)	444.83 (25/7)	635.39 (1/3/85)	12.32 (8/7/32)
Utilities	148.13	148.39	148.18	148.03	148.88	148.75	151.16 (13/2/85)	122.25 (15/6)	163.32 (20/4/69)	10.5 (28/4/42)
Trading vol	–	116.9m	116m	102m	140m	108m	–	–	–	–

	Mar 1	Feb 22	Feb 15	Year Ago (Approx)
Ind Div Yield %	4.69	4.77	4.73	4.71

STANDARD AND POORS

	March 7	March 6	March 5	March 4	March 1	Feb 28	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	200.76	202.23	204.14	203.88	205.15	202.68	205.15 (1/3/85)	167.74 (24/7)	205.15 (1/3/85)	3.82 (30/6/32)
Composite	179.51	180.65	182.23	182.06	183.23	181.18	183.35 (13/2/85)	147.82 (24/7)	183.35 (13/2/85)	4.40 (1/6/32)

	Feb 28	Feb 20	Feb 13	Year Ago (Approx)
Ind div yield %	3.82	3.81	3.76	4.01
Ind. P/E Ratio	11.33	11.34	11.49	12.82
Long Gov Bond Yield	11.83	11.45	11.28	11.98

N.Y.S.E ALL COMMON

March 7	March 6	March 5	March 4	1984-85 High	1984-85 Low
104.07	104.64	105.47	105.43	106.08 (13/2/85)	85.13 (24/7)

RISES AND FALLS

	March 6	March 5	March 4
Issues traded	1,990	1,997	2,006
Rises	564	706	563
Falls	969	811	963
Unchanged	457	480	480

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Philips Pet	4,841,500	48¾	−½
Mid-So Util	1,915,500	13	−⅜
Dominion R	1,774,200	27¼	unch
Sperry Cp	1,587,500	53⅞	+2⅞
Am Nat Res	1,396,600	83	+1½
Cigna Corp	1,123,200	48½	−⅜
Motorola	1,050,100	32¼	−⅜
IBM	1,040,600	132¾	−⅛
Kan Gas El	989,500	17⅞	+⅛
Fin Cp Am	924,900	6½	−1⅛

Advances 559 Declines 937

TORONTO

	March 7	March 6	March 5	March 4	1984-85 High	1984-85 Low
Metals & Minls	2,085.2	2,085.7	2,104.1	2,104.8	2524.4 (12/1/84)	1641.2 (25/7)
Composite	2,619.2	2,643.0	2,647.8	2,628.5	2647.8 (5/3/85)	2079.7 (24/7)
MONTREAL Portfolio	130.98	132.39	132.77	131.71	132.37 (5/3/85)	108.36 (24/6)

* Indicates pre-close figure

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
97⅞	93	Treas 3pc 1985	97⅞	+	3.06	13.67
102⅝	99	Treas 11½pc 1985	99¼	+	11.59	13.64
99¼	96	Treas 8¼pcCnv '85	97⅞	+	8.94	13.28
104	99	Exch. 12¼pc 1985	99½	+	12.31	12.87
103	99	Exch. 11¼pc '86	99¼	+	11.84	12.58
102	96	Treas. 10pcCnv 1986	97 xd	+	10.26	12.66
94	88¼	Treas 3pc 1986	93	–	3.19	8.42

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS

MINES—Continued

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

OVERSEAS TRADERS

PLANTATIONS

MINES

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	98	....	Arnott	166	+3
Craig & Rose £1	£10	....	CPI Hldgs	57	....
Finlay Pkg. 5p	58	....	Carrol Inds.	109	−1
Higsons Brew	118	+3	Dublin Gas	60	....
Holt (Jos) 25p	808	....	Hall (R. & H.)	45	+1
IoM Stm. £1	127	....	Heiton Hldgs	16	....
IRISH			Irish Ropes	40	....
Exch. 12% 1985	£99¾	....	Jacob (W & R.)	65	....
Nat. 9¾% 84/89	£85⅞	....	TMG	110	....
Fin. 13% 97/02	£90¼	+¼	Unidare	85	....

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45		
Brit Aerospace	33	Lucas Inds	25	**Oils**	
Brit. Telecom	11	Marks & Spcr	11	Brit. Oil & Min	4
Brown (J.)	3	Midland Bk	30	Brit Petroleum	42
Burton Ord	99	NEI	8	Burmah Oil	18
Cadburys	14	Nat West Bk	60	Charterhall	6
Comm Union	19	P & O Dfd	36	Premier	5
Courtaulds	12½	Plessey	17	Shell	60
Debenhams	17½	Polly Peck	26	Tricentrol	18
Distillers	28	Racal Elect	18	Ultramar	19
Dunlop	6	RHM	11		
FNFC	8½	Rank Org Ord	32	**Mines**	
Gen Accident	45	Reed Intnl	50	Charter Cons	18
Gen Electric	17	Sears	8	Cons Gold	44
Glaxo	85	TI	28	Lonrho	14
Grand Met	25	Tesco	28	Rio T Zinc	56
GUS 'A'	68	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 37

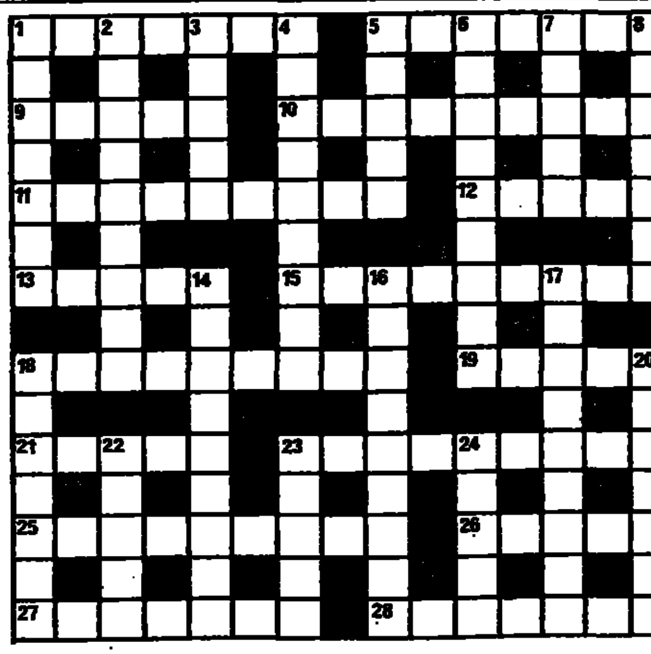
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD PUZZLE No 5,663



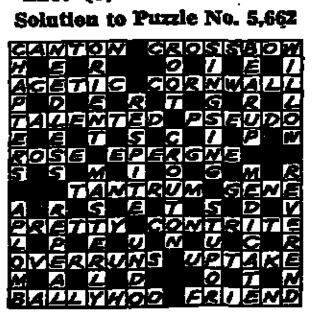
ACROSS

1 Prefect can enter room backwards (7)
5 Sailor on a ship is a fool (7)
9 A column seen in flight (5)
10 Ladies are crazy for dogs (9)
11 Sheep cheese (9)
12 Susan is first to come out (5)
13 Rule that holds George initially in check (5)
15 Weighs people down when work decreases (9)
18 Arranged in grandiose fashion (9)
19 Out of such groups one is miserable (5)
21 A very exacting business (5)
23 Meaningful branch of philology (9)
25 Hardly the type to make a good look-out (9)
26 Work-time entertainment (5)
27 It has wings and flies (7)
28 Winds up with part of a film on crime (5, 2)

DOWN

1 Laundry worker — one who ruins the clothes? (7)
2 A sign of instant service, except in a restaurant (2, 7)
3 Possibly it led or leads to varied pronunciation (5)
4 Some feedback for fashion creations (9)
5 He swears he's one of twelve (5)
6 Fellow-progressives taking part in rallies, perhaps (2-7)
7 It should include these mountains (5)
8 Organisations for the better? (7)
14 She's very likely to have kids (5-4)
16 It measures distances by the foot (9)
17 Those who try hard to get more than one 23 down? (9)
18 He makes a practice of seeing complaints (7)
20 Keep us up to the mark (7)
22 Free divorce (5)
23 Is upsetting the first mate with a riddle (5)
24 The business end of a loop-line? (5)

Solution to Puzzle No. 5,662



INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

Save & Prosper Group
28, Western Rd, Romford RM1 3LB. 0708-66966

Global Equity Fund (z)	97.1	102.8	-0.4	—
Int. Inc. Fd.	305.5	325.3	-1.1	—
Property Fd	290.3	307.2		—
Gilt Fd.	233.8	247.5	-0.1	—
Deposit Fd.§	197.4	208.5		—
Man. Pens. Fd.	66.0	69.9	+0.3	—
Equity Pens. Fd.	67.4	71.4		—
Prop. Pens. Fd.	56.3	59.6		—
A. G. Bond Fund (z)	78.6	83.2	+0.3	—
Dep Pen Fd§	53.3	56.5	+0.2	—
Gilt Pens Fd.	52.1	55.2		—
Global Eq Pens Fd	77.0	81.5	-0.3	—

§Weekly dealings.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth. 0705 827733

Equity	592.1	623.2	+3.4	—
Fixed Interest	255.5	268.9	+0.6	—
Managed	310.8	327.1	+1.5	—
Deposit	186.6	196.4	+0.1	—
Overseas	209.3	220.3	+1.3	—
Property	284.6	299.5		—
American	218.9	230.4	+1.4	—
Australian	121.0	127.3	-1.5	—
European	195.8	206.2	-0.4	—
Gilt & Fxd Int	137.9	145.1	-0.2	—
Income Accum	258.8	272.4	+1.2	—
Income Distrib	201.7	212.3	+0.9	—
International	206.6	217.4	+1.3	—
Japan Smllr Co's	121.3	127.6	+0.2	—
Singapore & Malay	152.3	160.3	+1.3	—
Smaller Co's	258.1	271.6		—
Tokyo	233.7	246.0	+0.6	—
U.K. Equity	236.3	248.7	+1.7	—
CCM Vanguard Mngd	262.3	276.1	-0.1	—
Equity Pension	354.1	372.7	+2.5	—
Fxd Int Pension	208.0	218.9	+0.6	—
Guaranteed Pens	118.3	124.5	...	—
Index-Linked Pens	103.9	109.3		—
Managed Pension	779.0	820.0	+4.0	—
Deposit Pension	115.7	121.7		—
Overseas Pension	218.6	230.1	+1.8	—
Property Pension	252.0	265.2		—
Special Ex Pension	213.8	225.0	+0.3	—

Prices are for Life Series 4 Accum; Pension Series C Accum March 7.

Scottish Amicable Investments
150 St Vincent St, Glasgow 041-248 2323

Equity	227.5	239.5	+0.3	—
Fixed Interest	153.0	161.1	+0.2	—

[illegible]

Target Life Assurance Co. Ltd.
Target House Gatehouse Road, Aylesbury, Bucks.
Aylesbury (0296) 5941

Managed	320.6	337.5	-1.6	—
Property	239.4	252.0		—
Fixed Int.	149.1	157.0	..	
UK Equity	304.7	320.8	-0.7	—
Int. Equity	247.0	260.1	-2.8	—
Deposit	140.8	148.3	+0.1	—
Managed Property	111.2	117.1	+1.4	—
American Eagle	119.5	125.8	-1.9	—
Technology	96.2	101.3	-2.2	—
U.S. Special Bond	132.4	139.4	-0.7	—
Pacific	117.2	123.4	-1.1	—
Australian	119.0	125.3	+1.9	—
Japan	170.0	179.0	-1.7	—
Malaysia & S'pore	126.1	132.8	+1.2	—
Commodity	121.3	127.7	+0.9	—
Energy	83.1	87.5	+0.4	—
Gold	114.8	120.9	+1.9	—
Financial	143.6	151.2	+0.1	—
Income	152.6	160.7	-0.9	—
Special Situations	181.0	190.6	+0.5	—
Preference	106.4	112.0	..	—
Managed Currency	79.8	84.0	-0.1	—
European	..	..	..	—
Sterling	10.1			7.5
Pension Funds				
Managed Pension	872.8	918.8	+1.7	—
Gilt Pens	287.6	302.8	+0.8	—
Property Pens.	336.3	354.1	-0.3	—
Equity Pen	340.9	358.9	+2.5	—
Intern'l Plan	111.7	117.6	+0.1	—
Guar Pen.	212.2	223.4	+0.1	—
Leicester Retirement	111.3	117.2		—

Prices quoted are for Accumulation units.

Transinternational Life Ins. Co. Ltd.
55-57, High Holborn, WC1V 6DU 01-831 7481

Series 2 Man. Fd.	217.3	228.4		—
Series 2 Equity Fd.	260.5	274.2	...	—
Series 2 Prop. Fd.	193.5	203.6		—
Series 2 Fixed Int. Fd.	185.6	195.3	..	—
Series 2 Money Fd.	137.9	145.1		—
Series 2 O'seas Fd	197.0	207.3	..	—
Tulip Invest. Fd.	416.6	438.6	..	—
Tulip Managed Fd.	292.3	307.6		—
Managed Inv. Fd. Inl.	207.0	217.8		—
Managed Inv. Fd. Acc.	241.0	253.6		—
Man Pen Fd.Cap.	328.2	345.4	..	—
Man.Pen. Fd.Acc.	424.1	446.4		—

Trident Life Assurance Co. Ltd
London Road, Gloucester. 0452 500500

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Wide Growth Management¤
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$11.50			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.8	13.3		3.10
Chinese Fund	57.1	59.5		1.70
Precious Metal Fund	69.6	72.5		8.30
Vanguard Cmdy. Fd.	19.3	19.8	+0.1	0.00
Financial Futures Fd.	32.4	33.7	..	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd.	$8.68			—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14.27	14.84	6-mth	Call
7-day Fnd	14.19	14.82	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.93	14.42	6-mth	Call
7-day Fund	13.99	14.47	6-mth	7-day
Money Mngt. Acct.	13.62	14.33	3-mth	Call
Dollar	6.87	6.98	6-mth	2-day

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	13.75	14.48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.40	14.25	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtrl	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.50	14.37	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mthl	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtrl	Call
Over £1,000	14.00	14.75	Qtrl	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	13.50	14.20	Qtrl	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.25	14.09	Mthl	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.25	14.10	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.38	14.06	Qtrl	Call
Provincial Trust (formerly Cholmondeleys) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc.	14.00	14.93	Mthl	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int Bk. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.96	14.71	Qtrl	Call
Money Acc.	13.75	14.47	Qtrl	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.65	1.54	Mth	Call
Over £10,000	13.90	14.82	Mthl	Call

Notes: CAR = compounded annual rate Int Cr = frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Copper values up again on Chile supply fears

BY RICHARD MOONEY

COPPER VALUES moved sharply higher on the London Metal Exchange yesterday on the renewed weakness of sterling against the dollar and growing fears about Chilean supplies following Sunday's earthquake. The cash high grade quotation ended the day £19.50 higher at £1,302.50 a tonne.

Concern about the Chilean situation had subsided earlier in the week with the news that El Teniente division of Codelco, the state-owned copper corporation, was resuming full production after only a two-day stoppage.

Yesterday, however, it was announced that the corporation's Enami division had declared force majeure on shipments because of furnace damage at its Ventana smelter caused by the earthquake.

This added to the existing worries about Chile copper shipments through the port of San Antonio, which is expected to remain closed for at least two weeks while earthquake damage is repaired.

News of the Enami force majeure sparked off a wave of cash buying yesterday as dealers covered themselves against a possible nearby supply squeeze. This was reflected in a narrowing in the premium for the three months position over cash metal from £16.75 to £14 a tonne.

Analysts said the three months' quotation, which closed yesterday at £1,316.50 a tonne, was likely to work towards a resistance level at the recent five-year peak of £1,335 a tonne as delays occurred in some Chilean shipments.

They noted that LME warehouse stocks had fallen recently to an 11-year low of 104,775 tonnes.

The LME zinc market was *also strong* yesterday with the cash quotation gaining £16 to £844.50 a tonne. Tightness of nearby supplies was the main influence on the market, dealers said. They expected the situation to become particularly difficult around the Easter holiday period.

Booksquaring against this contingency resulted in a widening of the cash premium over the three months position from £20 to £28.25 a tonne. Sterling's fall helped the upward momentum of the market and renewed buying was triggered when the three months position breached a minor chart point.

● Peninsular Malaysian tin exports rose to 4,329 tonnes in December from 2,623 tonnes in November and 2,970 in December, 1983, statistics department figures show in Kuala Lumpur. Total exports last year, however, fell to 39,600 tonnes from 57,140 in 1983.

The department attributed the monthly rise to an increase in imports by The Netherlands Reuter

Progress towards gold futures link

BY NANCY DUNNE IN BOCA RATON, FLORIDA

THE SECOND major international futures linkage came closer to start-up yesterday when officials from the New York Commodity Exchange (Comex) and Sydney Futures Exchange (SFE) signed a formal agreement to link trading in 100 troy-ounce gold futures.

Speaking at the Futures Industry Association's annual conference in Boca Raton, Florida, exchange officials said that if regulatory approval were forthcoming as expected, trading would begin in the fourth quarter of the year.

Futures trading began last year between the Chicago Mercantile Exchange and the Singapore International Monetary Exchange (Simex), on three contracts—Eurodollars, Deutsche *marks and* yen.

Eurodollars, now trading about 1,300 contracts a day over the link, has become the anchor of the tie-up, according to Mr Ng Kok-Song, the Simex chairman.

Industry analysts expect even more business to flow between Australia and Comex, where liquidity is greater. Comex gold volume, though slightly below that of last year, is still a hefty *70,000 to 80,000 contracts a day.* Gold-futures trading in Sydney has plummeted to about 500 contracts a day and can well use an infusion of Comex liquidity.

Comex, for its part, expects to benefit from establishing a beachead in the lucrative Far East-Pacific basin where gold trading is a 24-hour-a-day affair.

Together the two exchanges will offer 11½ hours of hedging time. The contract will open at 6 pm New York time and close six hours later. It will reopen in New York at 9 am and trade until 6.30 pm.

Unlike the CME-Simex link the new tie-up will be joined by a single clearing entity.

Formal negotiations between the two exchanges opened early last year after the Australian Government decided to float the nation's currency and at the same time removed most regulations on foreign exchange.

Moving towards linkage, Sydney abolished its fixed-commission structure in favour of freely negotiable commissions, introduced a local trading *membership and strengthened* its regulatory system.

Linkage plans have dominated early sessions of the futures conference. There was talk of tie-ups between the Chicago Board of Trade and Hong Kong, which will not open its doors until October and even then plans to initiate trading in long-term government bonds only.

Philadelphia Stock Exchange has held talks with Hong Kong, London Stock Exchange and London International Financial Futures Exchange about currency options.

Mr Henry Maringer, head of H. Maringer Associates and one-time industry luminary, urged caution before rushing to 24-hours-a-day trading.

He said many fundamental questions remained about foreign regulatory environments, extraterritorial jurisdictions, market compatability and tax ramifications.

"We need to think before we link," he said.

Scottish farmers accuse Government

By Colin Ley in Edinburgh

SCOTTISH FARM leaders yesterday accused the Government of having no policy for development of the agricultural industry. Mr Ian Grant, Scottish National Farmers Union president, told its annual meeting in Peebles that the Government was remaining silent and negative on farm policies.

He criticised the current public spending programme as ill-conceived and said: "Ask *how the Government* sees the future of Scottish, let alone British or European agriculture, and we haven't a clue."

Farmers were having to face a difficult future without either positive or constructive help from Westminster. His attack stopped short of endorsement for a vote of no confidence in the Government, in spite of a call at the meeting for such action.

"We are already able to let the Government know all about our complete lack of faith in what they are doing without having to pass a no-confidence vote," he said.

The Country Landowners *Association warned, meanwhile,* that many farmers who were already tetering on the brink of bankruptcy would be driven out of business if food were made exempt rather than zero-rated for value added tax as at present.

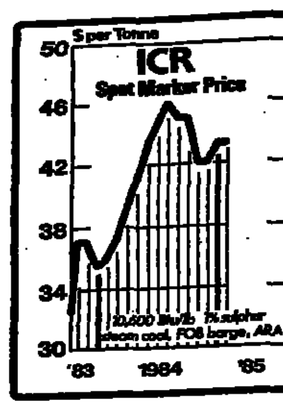
In a letter sent yesterday to the Chancellor of the Exchequer, the association expressed alarm and asked for a rapid assurance there was no foundation in a Press report that such a change is under consideration for the Budget on March 19. The report said the move could raise £500m in tax revenue in a politically painless way.

The effects of the change would be that farmers would no longer be able to reclaim VAT on input costs.

"An effective increase of 15 per cent across a broad range of production costs would *inevitably drive many farmers* now on the edge of bankruptcy out of business," the letter said.

Steam-coal industry's face changes as Colombian superpit delivers

Gerard McCloskey opens a series of regular monthly reports on the world coal market



TODAY THE bulk-carrier Giovanni is due to dock in the Danish harbour of Sudstrup to begin unloading a historic cargo, 35,000 tonnes of Colombian steam-coal for Elsam, the Danish utility.

The coal will be the first commercial offering from the big El Cerrejon steam-coal mine in Colombia's Guajira province, a mine which is set to dominate the world steam-coal market for the rest of this century. Steam-coal is used for steam-raising, particularly by power stations.

Conceived at a time when international coal prices were expected to rise strongly and swiftly, the El Carrejon superpit—a joint venture between Intercor, Exxon's Colombian subsidiary, and the Colombian state-owned Carbocol—will be delivering *its* coal onto a far from buoyant market.

Early predictions were that the f.o.b. price for steam-coal would reach $89 a tonne by next year, the year when El Carrejon

Superpit a year ahead of schedule

was initially due to market its first coal. The reality is that f.o.b. steam-coal prices are well below $40 a tonne.

Further, little if any real rise in prices is expected for the rest of the 1980s. Two of Exxon's fellow oil majors which are deep in the international steam-coal business are BP Coal International and Shell Coal International. Their view is that the dollar price of coal will rise at no more than the rate of inflation in the next five years.

None the less, the owners of the $3.2bn El Cerrejon mine with its high calorie (11,850 Btu/lb), low sudphur (0.7 per cent) product are far from dismayed. The mine has proved extremely expensive—its cost compares with the UK's £1bn Selby pit which boasts a design capacity of 10m tonnes a year.

Much of this cost, however, has been to develop a complete exporting infrastructure from scratch, *including a 150 km* (93-mile) rail-link and a coal-exporting terminal at Port Bolivar.

Some of *this* cost is clearly going to be recovered earlier than expected with the mine coming into operation a full year ahead of schedule. The $110m to $115m that the sale of 3m tonnes of coal this year is seen as a bonus, particularly for Exxon, which is rumoured to have funded its share of El Cerrejon from its own resources.

Production for next year is *slated at 6m tonnes* with further 3m-tonne increases yearly until 1989 when full output of 15m tonnes is reached. A decision on further expansion to 25m tonnes a year has yet to be taken.

El Cerrejon is now seen as setting the pattern for the new steam coal industry: developed by an oil *major* and, at current prices, not likely to make much of a return this decade. It is believed, however, to be making $10 a tonne profit over its running costs.

It is not, however, the whole industry. Steam-coal exports

U.S. squeezed from market

have become a big and growing business since the second oil price surge of 1979, particularly for South Africa, whose shipments rose from 16.7m tonnes in 1979 to 32.8m tonnes last year, and for *Australia*—5.7m tonnes in 1979, 27.8m tonnes last year.

In contrast, Polish steam-coal exports to the West were 18.1m tonnes last year, virtually the same as in 1979, while U.S. shipments soared from 2.3m tonnes to 29.9m tonnes in 1981 before subsiding to *just 10.3m tonnes* last year.

A continuing strong dollar, high rail freights inside the U.S.

Question on world prices effect

producing high f.o.b. port prices combined with a poor reputation for quality have conspired to squeeze the U.S. steam-coal from the market. Nothing suggests any change in that situation.

The question that only the experience of the next few years will answer is whether the increased tonnage available from Colombia, South Africa (due to ship 40m tonnes this year and with the declared intent to move to 80m tonnes a year next decade) and Australia (one forecast predicts 47m tonnes of steam-coal exports in 1990) can be placed on the market without driving down world prices.

Certainly demand for steam-coal is growing while production from the old coal-producing industries in Japan and Europe is declining. Philip Rogers, head of research for Simpson, Spence & Young, shipbroker, predicts a rise of 12m tonnes in sea-traded steam-coal this year to 120m tonnes. Many *authorities expect* an annual 10 per cent rise in demand through the rest of the 1980s.

Unlike earlier, highly optimistic, forecasts for coal, these predictions look fairly solidly based, relying for their hopes of growth on power stations which have been built or are under construction in Europe and South-East Asia. In particular, growth markets are tipped in Japan, South Korea, Hong Kong, Taiwan, Italy, Spain, Portugal and Ireland.

Most steam-coal is traded on long-term contracts with prices fixed annually or, as is apparently the case with the Central Electricity *Generating* Board contract with two Australian suppliers, adjusted quarterly. Only about 20 per cent of steam-coal is traded through the spot market.

One sector buying keenly in *this* market is the European cement industry, recently converted from oil- to coal-firing. If, however, the prices are right, the European cement industry will as readily burn old tyres or petroleum coke as low-cost steam-coal.

No formal market price exists for steam-coal in the way it does for spot oil: coal qualities are too disparate in their calorific, sulphur and ash characteristics. In the past 18 *months,* however, the FT International Coal Report has been charting the movements of spot prices and has dubbed one quality of South African coal as its marker.

This coal, always available from the coal terminals of Belgium and The Netherlands, is viewed as a reliable reflection of the state of the market. The coal's qualities are: 10,600 Btu/lb, les than 1 per cent sulphur and it *is* priced fob barge, Rotterdam.

It is curious that the UK coal strike had such a small effect on this price. After struggling up from $32 a tonne in September 1983 to $37.50 a year ago, this marker hit a high of $45 last summer. Now it *stands* at about $43.50, a level at which it has remained throughout the winter.

The Financial Times will report regularly on world steam-coal prices. Gerard McCloskey is editor of International Coal Report.

LONDON MARKETS

COCOA FUTURES prices on the London market continued their recent retracement yesterday. Following an overnight decline in New York the May position ended the day £15 down at £2,072.50 a tonne, taking the fall on the week to £117 a tonne.

Dealers said market sentiment was still reacting to improved crop prospects in West Africa and Brazil.

Coffee values moved higher with the May futures position closing at £2,457 a tonne, up £23 on the day. In the absence of fresh fundamental news dealers attributed the rise chiefly to currency factors.

The dollar's strength depressed sugar futures [illegible]

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 7 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1125/145	+5	$1140/1160
Copper			
Cash h Grade	£1302.5	+19.5	£1250.5
3 mths	£1316.5	+18.75	£1273.25
Gold troy oz	$289.75	+2.5	$302
Lead Cash	£328.5	+1.25	£357.5
3 mths	£336.25	+1	£341.25
Nickel			
Free Mkt	234/264c	+1	227/257c
Palladium oz	$112.50	+0.25	$129.25
Platinum oz	$262.00	+1	$274.25
Quicksilver†	$296/300	......	$295/305
Silver troy oz	532.85p	+0.45	550.85p
3 mths	550.30p	—0.15	567.35p
Tin cash	£10,217.5	—10	£9945
3 mths	£10,228.5	—12	£9913.5
Tungsten	$78.55	......	$78.27
Wolfram 22 04lb	$74/77	......	$68/72
Zinc	£844.5	+16	£753.5
3 mths	£816.25	+7.75	£755.25
Producers	$900-948	......	$900

	Mar. 7 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$810y	......	$750
Palm Malayan	$592.5y	+2.5	$570
SEEDS			
Copra Phil	‡	......	$450
Soyabean (U.S.)	$243.5	+2	$261
GRAINS			
Barley Fut. May	£116.80	+0.20	£116.00
Maize	£149	......	£148.00
Wheat Fut. May	£118.20	+0.25	£116.40
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2072.5	—15	£2251
Coffee Ft. May	£2457	+23	£2382.5
Cotton A Index	57.05c	—0.15	69.70c
Gas Oil April	$225.25	+2.75	$226
Rubber (kilo)	70p	+4	64.5p
Sugar (raw)	$116v	+1	$112.5
Wooltops 64s	528pkilo	+5	521pkilo

‡ Unquoted. x April. y May. v March-April. † per 75-lb flask. N Nominal. c Cents a pound.

INDICES

FINANCIAL TIMES

Mar. 6	Mar. 5	M'th ago	Year ago
295.53	296.14	299.21	298.15

(Base: July 1 1952 = 100)

REUTERS

Mar. 7	Mar. 6	M'th ago	Year ago
2041.1	2030.9	2016.0	1962.0

(Base: September 18 1931 = 100)

MOODY'S

Mar. 6	Mar. 5	M'th ago	Year ago
969.9	950.2	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 6	Mar. 5	Month ago	Year ago
Spot	n/a	n/a	—	—
Fut.	120.55	119.72	—	—

(Base: December 31 1974 = 100)

OIL

Brent and WTI continued to firm. At 1 pm EST Nymex WTI was 15c up. In the petroleum products market prompt gas oil offers continued at high levels while buyers held off for lower prices. Forward prices firmed in a confused market. Fears of supply problems were aggravated on reports of the sinking of a Russian products ship. Heavy fuel continued its recent weak trend in a very thin market—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—March		
Arab Light	27.80-27.85	—0.075
Arab Heavy	26.55-26.65	—0.05
Dubai	27.00-27.05	—
Brent Blend	28.40-28.50	+0.15
W.T.I. (1pm est)	27.95-28.00*	+0.20
Forcados (Nigeria)	27.75-28.20	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif ($ per tonne)		
Premium gasoline	247-249	—
Gas Oil	246-247	—
Heavy fuel oil	170-174	—0.5

*April Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
March	236.25	+3.25	238.75-35.50
April	225.25	+2.75	225.50-22.50
May	221.50	+2.00	221.75-19.50
June	219.00	+1.00	220.00-19.00
July	219.25	+2.25	220.00-19.25
Aug	222.50	+2.50	—
Sep	[illegible]	[illegible]	[illegible]

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1297.5-8.5	+18.2	1302-3	+19.5
3 months	1308.5-10	+12.0	1316-7	+18.7
Settlem't.	1298.5	+18.5	—	—
Cathodes				
Cash	1286-8	+16.0	1292-3	+18.5
3 months	1303-8	+15.5	1308-9	+14.5
Settlem't.	1288	+16.0	—	—

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1,311, 12, 12.5, 12, 13, cash £1,297.5, 98, 98.5, 98, three months £1,313, 10, 09.5, 09, 09.5, 10. Kerb: Higher Grade: Three months £1,310, 11, 10.5. Afternoon: Higher Grade: Three months £1,315, 14.5, 15, 16, 15, 14.5, 18, 17, 16.5, 16, 17, 17.5, 18, 17.5, 16.5. Kerb: Three months £1,315, 14, 13, 12.5, 13, 12, 13, 14. Turnover: 28,885 tonnes. U.S. Producers: 63.50-67.00 cents a pound.

ALUMINIUM

Alumn'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1028-.5	+1.0	1030-.1	+2.25
3 months	1064.5-5	+1.0	1066-.5	+1.5

Aluminium—Morning: Three months £1,066, 65, 64, 64.5. Kerb: Three months £1,065, 66. Afternoon: Three months £1,067, 68, 67, 68, 67, 66.5, 66. Kerb: Three months £1,065, 64.5, 64, 63.5. Turnover: 11,550 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	4864-5	+5.5	4825-35	—38.0
3 months	4902-5	+18.5	4880-5	—12.5

Nickel — Morning: Three months £4,905, 4,900, cash £4,870, 60, three months £4,900, 03, 05, 03. Kerb: Three months £4,900. Afternoon: Three months £4,900, 890, 85. Kerb: Three months £4,890, 85. Turnover: 1,122 tonnes.

GOLD

Gold rose $2¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $289½-290. The metal opened at $290¼-290¾ and traded between a high of $290½-291 and a low of $289-289½. Trading thinned out during the afternoon as gold failed to maintain its firmer opening level. Attention remained focused on the dollar and there was little incentive to push gold much outside its recent trading range until there were stronger indications of the dollar's next move.

[illegible]

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	10280-5	—45.0	10215-20	—22.5
3 months	10210-50	—55.0	10240-50	—24.5
Settlem't.	10205	—45.0	—	—
Standard				
Cash	10190-5	—38.0	10215-20	—10.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LEAD

[illegible]

ZINC

[illegible]

SILVER

[illegible]

COCOA

Although due to open lower the market was steady and held the levels through much of a fairly active day until late selling eroded values, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	2107-2108	+4.5	2118-2100
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE

[illegible]

GRAINS

Old crop markets remained steady in fairly active trade. New crops saw good buying support and closed *steady, reports Muirpace.*

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Mar	114.30	+0.25	113.45	+0.20
May	118.20	+0.25	116.80	+0.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

PIGMEAT

[illegible]

POTATOES

[illegible]

COTTON

[illegible]

RUBBER

[illegible]

SUGAR

[illegible]

SOYABEAN MEAL

[illegible]

U.S. MARKETS

PRECIOUS METALS were lower on selling related to the strength of the dollar, reports Heinold Commodities. Copper lost ground on the close as traders discounted the impact of the recent earth-quake in Chile on nearby shipments. Aluminium moved moderately higher when technically orientated buying more than offset arbitrage offering. Heating oil strengthened on tight nearby and spot supplies as cold temperatures continued in the northern States. Sugar continued under pressure, especially in the deferred months, as the market accepts that acreage reductions in 1985 are not likely. Coffee continued strong on trade and technical buying. Cocoa recovered moderately on manufacturer pricing and on short-covering from an oversold position. Cotton declined from active trade selling on indications that mill demand continues slow. Soyabeans were slightly higher on strength derived from a higher oil market. Nearby maize was under pressure

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	49.70	49.30	49.30	49.10
April	50.00	—	—	49.40
May	50.45	50.45	49.75	49.85
July	51.30	51.30	50.80	50.70
Sept	52.15	—	—	51.55
Dec	53.40	—	—	52.80
Jan	53.80	—	—	53.20
March	54.65	54.10	54.10	54.05
May	55.45	—	—	54.85
July	56.25	—	—	55.65

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
March	2020	2020	2005	1985
May	2058	2058	2025	2013
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

[illegible]

COPPER 25,000 lb, cents/lb

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

CRUDE OIL (LIGHT) 42,000 U.S. gallons, cents/U.S. gallons

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

[illegible]

ORANGE JUICE 15,000 lb, cents/lb

[illegible]

PLATINUM 50 troy oz, $/troy oz

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

[illegible]

LIVE HOGS 30,000 lb, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

[illegible]

PORK BELLIES 38,000 lb, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard [illegible]

OTHER MARKETS

HIDES

[illegible]

WOOL FUTURES

[illegible]

MEAT

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer but nervous

The dollar showed a fairly sharp upward correction after Wednesday's precipitous fall but failed to break new ground in currency markets yesterday. Much of the dollar's improvement came in very early trading as short positions were covered in the absence of any immediate follow through action by central banks to push the dollar weaker. Despite the absence of any concerted central bank intervention, there was little incentive to push the dollar too firm until the market regained sufficient momentum.

Consequently the dollar was confined to a relatively narrow trading range after its initial surge with the release after the close in London of U.S. money supply figures inhibiting the size of any speculative trading. The dollar rose from an opening level of DM 3.3700 against the D-mark to touch a high of DM 3.4130. It eased back a little however to finish at DM 3.3970, still up from Wednesday's close of DM 3.3800. Elsewhere it improved to SwFr 2.9030 from SwFr 2.8975 and FFr 10.3825 from FFr 10.3320. It was a little weaker in terms of the yen however at Y261.0 from Y261.20. On Bank of England figures, its index fell to 155.7 from 156.9. Wednesday's figure was a little higher since it was calculated before the dollar's sharp fall.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index 70.8 up from 70.7 on Wednesday. It opened at 71.0 and showed little movement all day. The six months ago figure was 77.6.

Sterling suffered from a lack of market interest with attention focussing on the dollar. The high level of UK interest rates effectively helped to underpin the pound. It eased against the dollar to close at $1.0665 from $1.0725 but was unchanged against the D-mark at DM 3.6250.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 118.0 against 122.3 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 3.5067 down from DM 3.4235.

New York rates

	March 7	Prev. close
£ Spot	$1.0670-0685	$1.0710-0738
1 month	0.47-0.45pm	0.49-0.47pm
3 months	1.08-1.04pm	1.11-1.07pm
12 months	1.55-1.40pm	1.70-1.62pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.6827	−0.49	+0.24	±1.5522
Danish Krone	8.14104	7.96247	−2.32	−1.69	±1.6419
German D-Mark	2.24184	2.22369	−0.81	−0.08	±1.1475
French Franc	6.87456	6.79705	−1.13	−0.40	±1.3889
Dutch Guilder	2.52596	2.51613	−0.39	+0.34	±1.5171
Irish Punt	0.72569	0.714199	−1.58	−0.85	±1.6703
Italian Lira	1403.49	1386.50	−1.21	−1.21	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX (Bank of England)

	March 7	Previous
8.30 am	71.0	70.7
9.00 am	70.9	70.6
10.00 am	70.8	70.7
11.00 am	70.9	70.7
Noon	70.8	70.8
1.00 pm	70.9	70.8
2.00 pm	70.9	70.7
3.00 pm	70.9	70.8
4.00 pm	70.8	70.7

POUND SPOT—FORWARD AGAINST POUND

March 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0600-1.0735	1.0660-1.0670	0.47-0.44c pm	5.12	1.04-0.99pm	3.81
Canada	1.4865-1.4935	1.4895-1.4915	0.41-0.31c pm	2.90	0.72-0.57pm	1.73
Nethlnd	4.07¾-4.10¾	4.09½-4.10½	2⅝-2¼c pm	6.95	6⅞-6⅝pm	6.28
Belgium	72.45-73.02	72.70-72.80	26-21c pm	3.88	69-60pm	3.00
Denmark	12.92-12.99½	12.96½-12.97½	2⅞-1⅞ore pm	2.08	7⅞-6⅞pm	2.20
Ireland	1.1615-1.1685	1.1635-1.1645	0.03p pm-0.14dis	−0.57	0.03-0.49dis	−0.89
W. Ger.	3.60½-3.63	3.62-3.63*	2⅝-2⅜pf pm	8.07	6⅞-6⅝pm	7.38
Portugal	196⅛-199½	197-199	125-450c dis	−17.42	430-1300d	−17.47
Spain	199¾-201	200¼-200¾	30-10c pm	1.20	65-30pm	0.95
Italy	2,243-2,265¾	2,257½-2,258½	1 lire pm-2 dis	−0.27	4-8dis	−1.06
Norway	10.33¾-10.43	10.39-10.40	1½-¾ore pm	1.31	2¾-1¾pm	0.83
France	11.01½-11.09¾	11.07¾-11.08¾†	3½-2⅞c pm	3.45	7⅞-6⅝pm	2.41
Sweden	10.24¾-10.33	10.28-10.29	¾ore pm-par	0.36	¼pm-½dis	−0.02
Japan	277-280	278-279	1.80-1.70y pm	7.54	5.00-4.85pm	7.07
Austria	25.36-25.52	25.40-25.50	17⅞-15⅞gro pm	7.78	45⅞-42⅞pm	6.92
Switz.	3.07½-3.10	3.09-3.10	2⅝-2⅜c pm	8.72	6⅞-5⅞pm	7.84

Belgian rate is for convertible francs. Financial franc 73.45-73.55. Six-month forward dollar 1.35-1.30c pm. 12-month 1.35-1.20 pm.
† Correction (March 6): 11.05-11.08 (close).
* Correction (March 6): 3.62-3.63 (close).

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0600-1.0735	1.0660-1.0670	0.47-0.44c pm	5.12	1.04-0.99pm	3.81
Ireland†	0.9110-0.9200	0.9170-0.9180	0.48-0.38c pm	5.71	1.22-0.92pm	4.73
Canada	1.3980-1.4030	1.4005-1.4030	0.24-0.28c dis	−2.23	0.70-0.77dis	−2.10
Nethlnd.	3.8160-3.8630	3.8470-3.8480	0.58-0.53c pm	1.68	2.12-2.08pm	2.19
Belgium	67.87-68.69	68.15-68.25	9½-10½c dis	−1.75	25-27dis	−1.52
Denmark	12.07-12.20	12.15¾-12.16¾*	2¾-3¾ore dis	−2.95	4-4⅞dis	−1.40
W. Ger.	3.3700-3.4130	3.3965-3.3975	0.83-0.78pf pm	2.84	2.85-2.80pm	3.32
Portugal	185½-188	186-188	200-500c dis	−22.58	600-1400d	−21.51
Spain	186.90-188.55	186.90-187.10	60-70c dis	−4.14	155-180dis	−3.58
Italy	2,103-2,123½	2,116-2,117	9½-10 lire dis	−5.51	27⅞-28dis	−5.21
Norway	9.67-9.77½	9.74¼-9.74¾	3-3½ore dis	−4.00	7⅛-7⅞dis	−3.08
France	10.31-10.43	10.38-10.38½	1.55-1.65c dis	−1.84	4.20-4.50dis	−1.67
Sweden	9.58-9.66½	9.65¼-9.65¾	3½-4ore dis	−4.66	9⅞-10⅛dis	−4.15
Japan	260.70-261.55	260.95-261.05	0.56-0.52y pm	2.48	2.15-2.10pm	3.25
Austria	23.72¼-23.98	23.85-23.90	5½-4¼gro pm	2.67	18-16pm	2.84
Switz.	2.8800-2.9150	2.9025-2.90.35	0.90-0.84c pm	3.59	2.83-2.77pm	3.86

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 68.85-68.95.
* Correction (March 6): 12.24¾-12.25¾ (close).

OTHER CURRENCIES

Mar. 6	£	$		£ Note Rates
Argentina Peso	300.11-300.66	282.69-284.00	Austria	25.35-25.65
Australia Dollar	1.5350-1.5390†	1.4445-1.4465	Belgium	73.00-73.80
Brazil Cruzeiro	4,244-4,270	3,997-4,017	Denmark	12.89-13.01
Finland Markka	7.4790-7.5010	7.0480-7.0580	France	11.04-11.16
Greek Drachma	150.57-153.69	141.12-143.98	Germany	3.60¼-3.65¼
HongKong Dollar	8.2920-8.3020†	7.8005-7.8025	Italy	2240-2280

CURRENCY MOVEMENTS

Mar. 7	Bank of England Index	Morgan Guaranty Change %
Sterling	70.8	−18.4
U.S. dollar	155.7	+39.6†
Canadian dollar	88.8	−7.8

CURRENCY RATES

Mar. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.895757	0.614091
U.S. $	8	0.951631	0.652778
Canadian $	11.27	*	0.914216
Austria Sch.	4½	22.7992	15.6014
Belgian Fr.	11	65.1778	44.6827

FINANCIAL FUTURES

Eurodollars weak

U.S. interest rate contracts lost ground in the London International Financial Futures Exchange yesterday. The weaker trend mirrored a similar trend in Chicago where values were marked down despite a slight easing in the Federal funds rate. The market was faced with the possibility of a sharply weaker dollar and a growing concensus that U.S. interest rates were likely to rise as the year progressed.

The June contract opened at 89.15 down from Wednesday's settlement price of 89.24 and never moved above the opening level. It touched a low of 88.99 before finishing at 89.04 U.S. Treasury bonds were similarly affected with the June price finishing at 67-18 down from an opening level of 67-27 and Wednesday's close of 68-14.

Sterling based contracts showed little overall change with cash prices providing little impetus in the face of a steady pound. Attention is being drawn more and more towards the UK Budget with sterling's decline in recent months assuming a greater importance in relation to prospects of lower interest rates. In relatively low volume, the June gilt price opened at 104-18, unchanged from Tuesday and finished at 104-20.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	90.21	90.25	90.18	90.29
June	89.04	89.15	88.99	89.24
Sept	88.54	88.66	88.51	88.75
Dec	88.20	88.31	88.18	88.37
March	87.92	87.98	87.87	88.08

Estimated volume 7,638 (6,520)
Previous day's open int 15,903 (16,224)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	68-15	68-20	68-08	69-12
June	67-18	67-27	67-09	68-14

Estimated volume 1,777 (1,518)
Previous day's open int 2,268 (2,038)

THREE-MONTH STERLING

MONEY MARKETS

UK rates continue steady trend

Interest rates were little changed in London yesterday. Sterling's more relaxed performance against the dollar helped to reduce any fears of upward pressure due to the dollar's recent strength and attention was beginning to switch to the UK Budget due the week after next. Three-month interbank money finished at 13⅞ per cent down from 14 per cent while three-month eligible bank bills were bid at 13⅛ per cent compared with 13⅞ per cent. Overnight interbank money opeend at 14⅛-14⅛ per cent and eased around the time of the afternoon help to touch a low in late trading of 8 per cent.

UK clearing banks base leading rate 14 per cent since January 28

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £433m and the unwinding of sale and repurchase agreements a further £385m. There was also a rise in the note circulation of £55m. These were partly offset by Exchequer transactions of £325m and banks' balances brought forward £70m above target.

To help alleviate the shortage the Bank offered an early round of assistance and at the same time increased its forecast shortage to £600m. The early help totalled £160m and comprised purchases of £40m of eligible bank bills in band 1 (up to 14 days) at 13⅞ per cent, £75m in band 2 (15-33 days) at 13¾ per cent, £25m in band 3 (34-63 days) at 13⅞ per cent and £20m in band 4 (64-91 days) at 13¾ per cent.

AAditional help in the morning came to £170m and comprised purchases of £6m of eiligible bank bills in band 1 at 13⅞ per cent, £151m in band 2 at 13¾ per cent, £10m in band 3 at 13⅞ per cent and £3m in band 4 at 13¾ per cent. In the afternoon the forecast was revised once again before taking into account the early help and the Bank gave additional assistance in the afternoon of £354m, comprising purchases of £63m of eligible bank bills in band 1 at 13⅞ per cent and £100m in band 2 at 13⅞ per cent. It also arranged sale and repurchase agreements on £191m of bills at 13⅞ per cent, unwinding on April 1.

The Bank also announced its intention to renew about half the £2bn temporary facility available to the banking system which expires on March 14. The new facility will run to April 25.

MONEY RATES

March 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10¾	2⅛-2⅝	7-7⅛	6.40625	15¾-16⅛	9.60	14⅜-14⅝
One month	6.15-6.35	10⅞-10⅞	5⅛-5⅝	7⅛-7¼	6.53125	15⅞-15¼	10⅝-10⅞	14½-14¾
Two months	6.20-6.40	10⅞-10⅞	—	—	—	—	—	14½-14¾
Three months	6.30-6.50	10⅞-10⅞	5¾-5⅞	7⅛-7⅛	6.34375	16-16⅛	10⅞-11⅛	14½-14⅝
Six months	6.6-6.8	10¾-10⅞	—	7⅛-7⅝	—	—	11-11¼	14⅜-14½
Lombard	6.0	—	—	—	—	—	—	—
Interverventlon	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Mar. 7 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits
Overnight	—	8-14⅛	14¼	13-14⅛
2 days notice	—	—	14¼	—
7 days or	—	—	—	—
7 days notice	—	14¼-14½	14¼	14½
One month	14⅛-14⅛	14¼-14⅝	14¼	14½
Two months	14⅛-13⅞	14⅛-14⅞	14⅛	14¼
Three months	13⅞-13⅞	13⅞-14	14	14⅛
Six months	13⅞-13⅞	13⅝-13⅞	13⅝	—
Nine months	12⅞-12⅝	13-13⅛	—	—
One year	12⅝-12¾	12⅞ 13	12⅞	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits
One month	14⅞-14⅝	—	14⅛	8.9-9.0
Two months	14⅝-14⅜	—	14⅛	9.3-9.5
Three months	14⅛-14¼	—	14	10.4-10.5
Six months	14-13¾	—	13⅛	10.05-10.15
Nine months	13⅝-13⅜	—	13	10.6-10.7
One year	13¼-13	—	13	10.9 11.1
Two years	—	13⅜	—	—
Three years	—	12¼	—	—
Four years	—	12⅛	—	—
Five years	—	12⅛	—	—

ECGD Fixed Rate Export Finance IV: Average Rate ... February 6 to March 5 1985 (inclusive): 13.883 per cent ... and finance houses seven days' notice, others seven d[ays] ... Houses Base Rate (published by the Finance Houses Associ[ation]) ... from March 1 1985. London and Scottish Clearing Bank[s] ... 14 per cent. London Deposit Rates for sums at seven day[s] ... cent. Treasury Bills: Average tender rates of discount ... Certificate of Tax Deposit (Series 6): Deposits £100,000 ... one month 14 per cent; one-three months 13¾ per cent; thr[ee] ... cent; six-nine months 13¾ per cent; nine-12 months 13 per c[ent] ... 12 per cent from March 6. Deposits held under Series 5 13 ... for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. March 7)
Three months U.S. dollars

bid 9 9/16	offer 9 11/16

Six months U.S. dollars

bid 10 5/16	offer 10 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 6, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of March 6 at 11.00 a.m.
3 months: 9 11/16 6 months: 10 5/16

ECU = U.S.$.647997 SDR1 = U.S.$949483
Sibor as of March 6 at 11.00 a.m.
3 months: 9¾ 6 months: 10 7/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	9.5689
Algeria	Dinar	5.28
Andorra	Fr. Franc	10.475
	Sp. Peseta	190.35
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	New Peso (o)	272.09
Australia	Dollar	1.471
Austria	Schilling	24.065
Azores	Port. Escudo	187.75
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is	Sp. Peseta	190.35
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	10.475
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	1.53
Guinea Bissau	Peso	86.5261
Guinea Rep	Syli	25.9987
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.56
Hong Kong	Dollar	7.805
Hungary	Forint	52.725
Iceland	Krona	42.92
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	421.00
Peru	Sol (o)	7520.76
Philippines	Peso	18.598
Pitcairn Is.	N.Z. Dollar	2.2124
Poland	Zloty (O) (3)	141.41
Portugal	Escudo	187.75
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion, Ile de la	Fr. Franc	10.475
Romania	Leu (o)	4.74
Rwanda	Franc	108.175
St. Christopher	E. Caribbean $	2.70

Art Galleries

Clubs

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 7.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	100¼	100¾	−0⅝	−0⅜	12.38
Austria Rep 13⅝ 92	100	105¾	106¼	−0⅝	−0½	12.30
Bank Of Tokyo 12⅝ 92	100	98¾	99¼	−0⅝	−0⅜	12.84
Bank of Tokyo 13⅜ 91	100	103⅛	103⅝	−1⅛	−1¼	12.77
BP Capital 11⅛ 92	150	94⅛	94⅝	−1¼	−0⅞	12.87
Caisse Nat Tele 13¾ 91	100	104½	105	−0¼	0	12.57
Canadian Pac 12½ 99	75	†100¼	100¾	0	+0⅜	12.40
CBS Inc 11⅜ 92	100	93⅝	94⅛	−1¾	−1¾	12.63
Chevron U.S.A. 12¼ 89	600	99⅛	99⅝	−0⅛	−0¼	12.39
Citicorp 11¾ 97	200	†94⅜	94⅞	−0⅛	−0½	12.64
Creditanstalt 13⅛ 91	100	101⅜	101⅞	−0¼	−0⅛	12.78
Denmark Kingdom 13 91	100	100	100½	−0½	−1	12.91
Denmark Kingdom 13¼ 91	100	†100⅞	101⅜	−0½	−0⅜	12.94
Denmark 13⅞ 88 XW	100	103⅜	103⅞	−0⅝	−0½	12.44
Denmark Kingdom 14 91	100	105¼	105¾	0	+0¼	12.64
E.E.C. 11⅛ 90	100	95½	96	−0⅛	+0½	12.31
E.I.B. 13 96	200	100½	101	−0⅜	+0⅛	12.84
Ex-Im Bk.Japan 13¼ 91	75	104¼	104¾	−0⅝	−0¼	12.15
Export Dev Corp 12 89	100	99⅛	99⅝	−0⅛	−0⅛	12.14
Exxon Capital Corp 0 2004	1800	10½	11	−0⅛	−0¼	11.99
Florida Fed Sav 12⅜ 89	100	†*101⅜	101⅞	−0⅛	+0⅛	11.88
IBM Credit Corp 11¾ 87	200	99¾	100¼	−0½	−0½	11.67
Indust Bk Japan 12⅞ 89	100	100⅜	100⅞	−0⅝	−1⅜	12.63
Indust Bk Japan 13⅞ 91	125	105⅛	105⅝	−0¼	−0⅜	12.55
Int-Am Dev Bk 12¾ 91	150	99⅞	100⅜	−0¾	−0⅜	12.66
Japan Air Lines 13⅜ 94	180	†107¼	107¾	−0½	−0⅜	11.97
Kellogg Company 10⅞ 90	100	96	96½	−0⅜	+0½	11.92
Kellogg Company 11¼ 92	100	98	98½	−0⅜	−0⅜	11.62
L.T.C.B. 12⅞ 91	100	99⅞	100⅜	−0½	−0⅞	12.81
Macy Cred Corp 11¾ 95	100	†95½	96	−0⅝	−2¼	12.51
Mellon Bank 13 87	100	†103	103½	+0¾	+3¼	11.34
Merrill Lynch 12¾ 89	100	†100¾	101¼	−0⅞	−0½	12.40
Minnesota 11½ 87	100	99¾	100¼	−0⅛	+0⅛	11.43
Mitsubishi Corp 13¼ 89	100	103⅝	104⅛	−0⅜	+0¾	12.01
Montagu 13¼ 91	100	†102	102½	−0⅞	0	12.67
Morgan Guaranty 12¼ 89	150	99⅝	100⅛	+0⅛	+0¼	12.28
Morgan Guaranty 12⅜ 89	150	99½	100	−0½	−0⅜	12.48
Nippon Cred Bk 13⅞ 89	100	103	103½	−0½	−0⅞	12.79
Nth America 12⅞ 91	100	100¼	100¾	−0⅜	−0⅜	12.72
Penney J.C. 12¾ 91	100	100¾	101¼	−0⅝	−0½	12.48
Pru Realty secs 12⅛ 95	546	97⅞	98⅜	−0¾	−1⅜	12.45
Quebec Hydro 11½ 92	100	†95¾	96¼	−1⅝	−1¾	12.39
Ralston Purina 12¾ 88	100	100⅞	101⅜	−0⅝	+0⅜	12.36
Royal Bk Can 12¾ 92 XW	100	†99⅝	100⅛	0	−0⅝	12.78
Saskatchewan 11 7/8 89	100	†98¼	98¾	−0½	−1¼	12.27
S.N.C.F. 12⅜ 92 XW	100	98⅛	98⅝	−0⅞	0	12.69
Statoil 12 88	100	100¼	100¾	−0½	−0⅞	11.77
Statoil 13½ 89	100	104¼	104¾	−0⅜	−0¾	12.06
Sumitomo Fin 12¾ 91	150	99¾	100¼	−0½	−0½	12.73
Swed Exp Cred 12¾ 89XW	100	99⅝	100⅛	−0½	0	12.73
Sweden Kingdom 11½ 89	200	96⅝	97⅛	−0⅝	−1⅜	12.37
Sweden Kingdom 11¾ 94	100	95½	96	−0⅝	−0⅝	12.50
Texaco Capital 12⅞ 87	300	†101	101½	−1¼	−1⅛	12.17
Texaco Capital 13½ 89	200	102¾	103¼	−0¾	−1	12.51
Toronto Dom Bk 12½ 88	100	†100¼	101¼	−0¼	−0¼	12.17
Walt Disney Pro 12½ 87	150	101⅛	101⅝	−0¾	−1	11.77
Weyerhaeuser 12¼ 87	150	100½	101	0	−0⅛	11.82
World Bank 12¼ 94	150	98⅛	98⅝	−0⅝	−0⅞	12.52
World Bank 12⅞ 94	200	101	101½	−0¾	−1	12.61

Average price change On day −0½ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	99¼	100	−0⅛	−0⅞	8.05
Austria,Republic 7⅝ 94	200	98	98¾	−0⅛	−0⅛	7.88
Baxter Travenol 7¼ 94	200	98⅛	98⅞	−0¾	−0⅝	7.48
Credit National 8⅛ 94	200	100¼	101	−0⅛	0	8.02
Degussa Int Fin 7½ 94	100	98⅜	99⅛	0	+0¼	7.78
E.E.C. 8 92	200	100¾	101½	0	+0⅛	7.78
Escom 8 92	150	98¼	99	−0½	−0⅛	8.26
Ferrovie Dello Stato 8 91	100	100¼	101	+0¼	−0⅛	7.89
Finland Republic 7 92	200	94¼	95	−0¼	−0¾	8.04
Finland Rep 7½ 91	150	†*100	100½	0	0	7.46
Gould Int Fin 7⅝ 91	100	99¼	100	−0¾	−1⅝	7.69
Ireland 8⅛ 92	150	101⅛	101⅞	−0⅛	+0½	7.84
Japan Fin Corp 7⅝ 91	100	99	99¾	−0⅛	−0⅝	7.74
Mitsubishi Hvy 3½ 89WW	300	104⅛	104⅞	+1½	+2¾	2.33
Mitsubishi Hvy 3½ 89XW	300	89½	90¼	+0⅛	+0⅛	6.40
Mitsubishi Met 3⅛ 89WW	100	97⅞	98⅝	0	+0½	3.63
Mitsubishi Met 3⅛ 89XW	100	84⅛	84⅞	0	0	7.06
O.K.B. 7½ 88	100	99	99¾	0	−0¼	7.68
Pepsico O/S Fin 7¼ 94	250	97½	98¼	+0⅛	+0½	7.58
Renown 3⅛ 90	80	95⅜	96⅛	−0½	−0¾	4.03
Reynolds O/S Fin 7⅜ 94	125	97	97¾	+0½	+0⅜	7.82
Societe Cent Nuclear 8 91	100	101½	102¼	−0½	−0⅞	7.60
Sth Africa Rep 8½ 91	200	100⅝	101⅜	−0⅛	+0⅜	8.29
Sth African Tran 7⅝ 92	100	94¾	95½	0	−0⅝	8.50
World Bank 7¾ 89	100	99¼	100	0	−0¼	7.26
World Bank 8 94	200	99¾	100½	−0⅜	−0⅜	7.98

Average price change On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†*100½	100¾	−0½	−0½	6.16
Asian Dev Bank 6⅛ 96	100	†*100¾	101	−0¾	−0½	6.01
Avon Cap Corp 5⅜ 94	130	†*97¼	97½	−0¼	−0¼	5.73
Brit land Comp 6½ 99	75	†*102	102¼	0	0	6.27
Council of Europe 6 92	120	†*100¼	100½	−0½	−0¾	5.93
Creditanstalt 5½ 94	100	†*97	97¼	0	0	5.89
Deutsche Bk Fin 5⅜ 95	100	†*98¾	99	−0¼	0	5.52
E.I.B. 5⅞ 94	120	†*99½	99¾	0	−0¼	5.92
Eurofima 5 97	100	†*98½	98¾	−0¼	−0½	5.16
Eurofima 5¼ 95	100	†*101	101¼	0	0	5.12
Export Dev Corp 5⅜ 92	125	†*98	98¼	+0½	−0¼	5.88
First Boston Inc 5¾ 94	60	†*99	99¼	−1	−1	5.87
Gen Occidentale 4½ 94	80	†*103½	103¾	−0½	−1¼	4.04
I C Industries 5⅝ 94	125	†*97½	97¾	+0½	−0¾	5.95
Ind Fund Fin 5¾ 94	40	†*99	99¼	0	−0½	5.87
Int-Am Dev Bk 6⅛ 94	120	†*100½	100¾	−0½	−0½	6.03
New Zealand Govt 5¾ 94	150	†*99¾	100	+0½	+0¼	5.76
N.Zealand steel 5¾ 96	70	†*98	98¼	0	0	5.97
Oberos Kitwk 5⅜ 95	100	†*97	97¼	+0¼	0	5.76
Ost Donaukraft 5⅜ 95	70	†*96¾	97	0	0	5.89
Ralston Purina 5⅜ 94	125	†*98	98¼	+0½	0	5.83
Santos Finance Ltd 6 94	130	†*97¾	98	−0¼	−2¾	6.29
Tokyo Elec Pwr 5½ 93	120	†*98¼	98½	0	0	5.76
Tokyo Metropolis 5¼ 94	80	†*97	97¼	0	0	5.64
World Bk 5¾ 94	150	†*99	99¼	+0¼	−0½	5.87

Average price change On day 0 on week −0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
E.D.F. 6⅞ 95	20	96	96½	−0⅛	+0⅛	7.42
Eurofima 6⅝ 92	10	95¼	95¾	+0⅛	+0¼	7.48
Mcdonalds Corp 6½ 92	25	94⅛	94⅝	−0⅛	0	7.57
Penney J.C. 6¾ 92	26	95⅝	96⅛	−0⅛	0	7.53
Sallie Mae 6⅝ 92	25	95⅛	95⅝	0	−0⅛	7.51

Average price change On day −0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AMEX 12¼ 91 CS	50	†100	100½	+0¼	+0¾	12.17
Aust Res Dev 11⅝ 92 CS	50	†93	93½	−0¼	0	13.16
Bk Of Tokyo 10⅞ 92 CS	75	†99½	100	0	0	10.93
Denmark 11⅝ 91 CS	100	†94¼	94¾	+0¼	+1	13.00
E.D.C 11½ 89 CS	100	†95¼	95¾	−1	+0¼	12.78
IC Indust 12⅛ 95 CS	50	†94½	95	0	0	13.09
KB Ilima N.V. 12 92 CS	75	†*97	97½	+0¼	+0¾	12.61
Mt'l Urban 11¾ 95CS	75	†94⅜	94⅞	+0⅜	+0⅜	12.73
Giro Und Bk 10½ 93 ECU	60	†103⅛	103⅝	+0⅜	+1⅛	9.88
World BK 10¼ 89 ECU	125	†105	105½	+0⅝	+1¼	8.82
World Bk 10⅝ 94 ECU	75	†104⅜	104⅞	+0⅜	+1¼	9.85
Algemene Bk 7¾ 89 FL	150	100⅛	100⅝	+0⅛	+0⅝	7.63
Amro Bank 7¼ 89 FL	150	96¾	97¼	0	+0⅛	8.02
Dai-Ichi 8½ 89 FL	50	101¼	101¾	−0⅛	+0¼	8.06
Friesch-Gron 8¼ 89 FL	50	99¾	100¼	0	+0½	8.23
New Zealand 8¼ 89 FL	100	101	101½	0	+0¼	7.88
Charbonnages 13⅞ 85 FF	400	†101½	102½	0	−0½	10.87
Air Canada 11¼ 94 £	40	100⅝	101⅛	+0½	+0¼	11.09
B.A.T. Int'l 10¾ 91 £	100	99½	100	+0⅜	+0⅜	10.78
CBS Inc 10⅞ 94 £	40	95⅛	95⅝	+0⅛	+0⅛	11.40
Denmark 11⅞ 94 £	75	100¼	100¾	0	+0⅜	11.75
E.E.C. 11⅜ 94 £	50	100⅞	101⅜	+0¼	+0½	11.16
Grand Met 10⅞ 90 £	50	96½	97	0	+0⅛	11.66
ICI Finance 8½ 99 £	100	112¾	113½	−0⅜	−1⅝	7.03
New Zealand 10⅝ 89 £	100	96⅜	96⅞	+0⅛	+0⅜	11.68
O.K.B 12¼ 91 £	30	104½	105	0	+0¼	11.13
Reed Int'l 11⅜ 94 £	30	96⅜	96⅞	0	0	11.96
Ryl Bk Canada 10⅞ 91 £	40	96	96½	+0⅛	+0⅜	11.68
Royal Trustco 12¼ 89 £	30	†101	101½	0	+1	11.82
United Tech 11¾ 89 £	35	102¼	102¾	0	−0⅜	10.98
World Bank 10 5/8 89 £	50	97⅛	97⅝	0	+0½	11.34
World Bank 11 94 £	50	98½	99	+0⅛	+0¼	11.29
E.C.S.C. 10½ 94LF	100	†102	103	−0⅜	−0⅝	10.06
Nat Lux Alum 10½ 92 LF	600	†102¾	103¾	−0⅜	−0¼	9.94

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	99⅝	99⅞	11/4	11.69	11.72
BankAmerica O/S 5¼ 96	0⅛	99⅝	99⅞	28/6	8.81	8.83
Bank of Montreal 5 96	0⅛	99⅝	99⅞	28/4	8½	8.52
Bankers Trust 5¼ 96	0⅛	100	100¼	13/5	9.31	9.30
Barclays O/S Inv 5 2004	0⅛	99⅞	100⅛	2/3	12.31	12.31
Belgium 5 2004	0⅛	100¼	100½	11/4	13⅛	13.09
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	13/3	12.19	12.16
B.N.P. 5¼ 95 (July)	0¼	99¾	100	22/7	9⅛	9.14
Chase Man'tn 5¼ 2009	0⅛	99¾	100	5/3	9.55	9.57
Citicorp O/S 5¼ 96 Sep	0⅛	99⅜	99⅝	19/12	11.19	11.24
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/4	11¾	11.69
Dai-Ichi Kangyo 5¼ 96	0⅛	100	100¼	13/5	10.06	10.05
Dresdner Fin 5¼ 89	0	99¾	100	23/2	9.81	9.82
E.D.F. 5¼ 99	0⅛	100⅝	100⅞	23/2	12⅜	12.28
Ireland 5¼ 99	0	100	100¼	14/3	12⅜	12.36
Italy, Republic 5 94	0⅛	99¼	99½	9/5	9.94	10.00
Lloyds Euro 5 2004	0⅛	100	100¼	18/4	11½	11.49
Midland Int Fin 5 99	0⅛	99⅞	100⅛	5/3	12⅜	12.38
Mort Bk Denmark 5¼ 99+	0⅛	†98¾	99	11/4	8.56	8.65
Nat West-Perp 5 89	0⅜	100⅞	101⅛	13/5	10⅜	10.27
Queensland Coal 5¼ 96	0¼	†99⅞	100⅛	9/5	10.06	10.05
Sweden Perp 5¼ 85	0¼	99¾	100	9/7	9.44	9.45
Takugin 5¼ 94	0⅛	99¾	100¼	15/3	12¼	12.25
Tokai 5¼ 89	0⅛	†100⅜	100⅝	12/6	9.94	9.89
Toyo 5¼ 99	0⅛	100	100¼	14/6	9.81	9.80

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	88¼	89¼	0	−3.67
Fanuc 3¾ 98	1/84	7032.3	168¾	170	+0¼	0.25
Fujitsu 3 99	5/84	1320.9	92⅞	93⅞	−1¾	3.92
Honda Motor 5¼ 98	6/83	884	146⅝	147⅞	−6⅛	−4.26
Konishiroku Photo 4 98	10/83	673	92⅜	93⅜	−2	1.42
Marui 3½ 99	7/84	1162	76⅞	77⅞	−1¼	0.97
Minebea Co Ltd 5½ 98	5/83	567	85¾	86¾	−1⅛	−0.81
Mitsubishi Elec 5¼ 98	6/83	396	89¾	90¾	−0⅜	1.97
Murata 3½ 99	2/84	2351.2	122¾	123¾	−0¾	0.26
Murata 3½ 2000	7/84	2398	118¾	119¾	−1⅞	−0.35
Nippon Elec 2⅞ 2000	1/85	1295	89⅝	90⅝	−1⅞	11.23
Nippon Oil Co 3¼ 99	3/84	1052	76¼	77¼	+0⅛	10.52
Nissan Motor 5¾ 98	4/83	700	88	89	−0½	11.59
Oki Elec Ind 3½ 99	10/84	805	85¼	86¼	−0⅜	15.35
Orient Leasing 5¼ 98	6/83	2680	107½	109	−1	−0.98
Sekisui House 3 99	6/84	612	77¾	78¾	−0½	−1.56
Sumitomo Corp 2⅞ 99	5/84	593	88⅞	89⅞	−0⅜	−2.86
Takeda Riken 3⅜ 2000	10/84	7663	98⅛	99⅜	−2¼	10.06
Tokyo Sanyo Elec 3½ 99	12/84	772	94½	95½	−0¼	4.14
Yamanouchi Pharma'cal 4 90	10/83	1483.2	240½	241½	−0½	−1.31
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†*104	106	+0⅞	13.68
Nippon Shinpan Co 2 92 SF	3/84	801	†*94	96	+0⅝	21.77
Seitsu Paper 2¼ 92 SF	4/84	677	†*161	163	+3¾	−2.51
Asics 5 92 DM	12/83	520	102	103	+0⅛	24.15
Sum Realty 6¼ 92 DM	2/83	365	186½	187½	+0½	−4.38

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cy. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CAPITAL MARKETS

Issue for Cadbury Schweppes enlivens Eurodollar sector

BY MAGGIE URRY IN LONDON

CADBURY SCHWEPPES provided the only fizz in a gloomy Eurodollar bond market yesterday, with a $80m convertible issue led by Kleinwort Benson. The 15-year bonds have an indicated 8 per cent coupon and will convert into the shares at a premium expected to be 10 per cent.

Terms, including the exchange rate fix between dollars and sterling, will be set on March 14. The attraction of a currency play, if the current level should turn out to be somewhere near the dollar's peak, was perhaps even more interesting than the equity play. The issue traded well inside the 1½ per cent selling concession at around 99¾. Total fees are 2½ per cent.

It was not a good market for Long-Term Credit Bank to launch a five-year $75m issue, which it did through its offshore subsidiary. As the paper cannot be counted as a direct issue for Japanese investors, the coupon was set at 12 per cent, a more realistic level than other Japanese borrowers have recently been paying. Some syndicate managers quibbled that the coupon should have been a fraction higher, but the response to the issue – a bid in the grey market just outside the 1⅞ per cent fees – owed more to the effect of a falling New York bond market.

An issue for K mart, which had been bid for both in the Eurobond and domestic U.S. bond markets, was won by Drexel Burnham Lambert in New York. Dealers said the company could get better terms there, as could most U.S. corporates borrowers now.

Bidding is rumoured to be taking place for a floating-rate issue for Malaysia.

Morgan Stanley set the conversion terms for Kajima's $40m issue at a 3.57 per cent premium over the closing share price.

Trading in the primary market was quiet with prices down around ½ point. Wednesday's Canada issue slipped from 98⅜ to 97⅞ bid. Secondary market traders had a rougher time with losses extending to 2 points in places. Hardest hit were longer-dated bonds, specially those which have recently moved on to secondary books. By the close some buyers were coming back into the market, however.

BHF Bank bond average		
March 7		Previous
100.036		100.068
High	1984/85	Low
103.042		98.056

Dealers were also depressed in the Swiss franc bond secondary market. Despite the easier dollar, the lower New York market upset traders, and prices weakened by ¼ point. Activity was very low. Dennison Manufacturing's issue with equity warrants started trading yesterday at 98½ compared with the par issue price.

The primary market is more stable, however, with recent issues getting placed. Swiss Bank Corporation launched its SwFr 100m public issue for Sumitomo Heavy Industries, which has a 10-year life and indicated 6 per cent coupon.

Union bank of Switzerland announced a SwFr 70m convertible private placement for Stanley Electric. The five-year issue has an indicated 1⅞ per cent coupon.

Crédit Suisse cut the coupon for Kurabo's SwFr 70m convertible issue from 2 per cent to 1⅞ per cent and set the conversion premium at 5.4 per cent.

Despondency was also the order in the D-Mark bond market, with prices falling by up to ½ point. "No buyers, no interest," said one trader.

BHF Bank set the terms for the Toei DM 50m issue at the indicated 3⅞ per cent coupon. The bonds come with equity warrants, which get into the shares at Y448 compared with a closing price of Y444.

Inter-American Development Bank launched its first issue in the European Currency Unit bond market. The Ecu 100m issue, led by Société Générale de Banque, has an eight-year life and 10 per cent coupon, issued at par. The issue traded around the 1¼ per cent selling concession in a stable Ecu bond market.

WEEKLY U.S. BOND YIELDS (%)

	Apr 3	Feb 27	1985 High	1985 Low
Composite Corp. AA	12.44	12.30	14.23	11.93
Government:				
Long-term	11.84	11.83	13.69	11.19
Intermediate	11.85	11.81	13.79	11.12
Short-term	10.82	10.64	13.22	10.03
Municipal	–	9.78	11.14	9.52
Industrials AAA	12.00	11.87	13.65	11.44
Industrials AA	12.42	12.42	14.13	11.86
Utilities AA	12.46	12.35	14.45	12.01
Preferred Stocks	10.96	10.94	12.17	10.77

Source: Standard & Poor's

International income lifts CIBC profit

BY BERNARD SIMON IN TORONTO

CANADIAN Imperial Bank of Commerce posted the strongest growth in earnings among Canada's five major banks in the three months to January 31, lifting net earnings to C$85.9m (U.S.$61m), or C$1.51 a share, from C$64.9m, or C$1.18, a year earlier.

The increase was due largely to a jump in international income from C$13.9m to C$39.8m, reflecting the receipt of delayed interest payments from Argentina and new commercial business in the U.S., a major focus of CIBC's growth strategy.

The bank's assets stood at C$71.7bn on January 31, up from C$68bn a year earlier, and its return on assets moved up from 0.38 per cent to 0.48 per cent. The rise in assets was ascribed to the pick-up in U.S. loans, as well as steady growth in Canadian mortgage and consumer business and a recovery in domestic commercial loans. Non-performing loans of C$1.9bn at January 31 were virtually unchanged over the past year.

CIBC said it planned to raise C$221m of new primary capital through an issue of common shares. The issue will consist of 7m units, each comprising one share and a warrant to purchase half a share. The price of each unit will be C$31.50.

PKbanken buys Armco's European finance unit

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

PKfinans, the finance company subsidiary of PKbanken, Sweden's third largest commercial bank, has taken over the London-based European finance division of Armco, the U.S. steel and energy company.

The operation has assets of around £40m ($42.6m), chiefly in the UK, Belgium and the Netherlands. PKfinans has been established in London since last summer and as part of the latest deal has received a deposit-taking licence from the Bank of England.

PKfinans now has a staff of 25 in London and is seeking further international expansion. It already has operations in the U.S., West Germany, Luxembourg and in Scandinavia.

From London it is aiming chiefly to serve the 800 UK subsidiaries of Swedish or other Scandinavian companies as well as international companies involved in trade with the Nordic region.

International activities account for around one third of PKfinans's total assets of around SKr 6.5bn ($671.5m).

International Capital Markets

Every Monday the Financial Times publishes a review of the previous week's activity in the international bond markets.

This synopsis of the Euromarkets together with a comprehensive tabular list of current international bond issues offers the reader a thorough weekly study of one of the most important financial mechanisms in the world today.

In addition the Financial Times publishes a monthly summary of Quotations and Yields from the Association of International Bond Dealers.